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NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

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REGULAR FEATURES

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Management Record

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• In the Record •

cent Top Executive Pension Estimates

The executive who earned $25,000 in 1939 needs $77,415 in 0 to maintain equivalent purchasing power, government a show. Inflation has cut his purchasing power by $25,856, the biggest bite—$28,286—has been in the form of rising eral income taxes.

n an effort to lighten the tax burden, companies have be- ne increasingly concerned with deferring a part of execu- e compensation. This concern, many analysts believe, is of the chief factors responsible for the substantial in- ase in executive pensions in the last decade.

The article on the next page examines the rise in pensions the top three executives in companies in eleven manu- turing industries, in gas and electric utilities, in finance, in and air transportation, and in retail trade. The analysis eals that the pensions of the top three executives in most ustries are higher in dollar amounts and as a per cent compensation than they were in 1949.

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stemployment Inquiry Found Helpful

How much does it cost to replace an employee? Some years , The Conference Board made a conservative estimate $350. Today the cost is probably much higher. Whatever actual figure, turnover is expensive, and companies have d a variety of personnel techniques to hold it down. One thod is the exit interview. Here, the employee who is nning to quit is asked to give his reasons. The company es to learn things that will help it to hold on to other lified people.

For a variety of reasons, however, many employees are willing to speak out while still on the payroll. Conscious this drawback, one company has decided to supplement its t-interview program. The General Motors Acceptance Cor- ation sends all people who resign a special questionnaire a weeks *after* termination. For an analysis of the results of s approach, see the article on page 8.

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e Airlines' Pact for Mutual Strike Aid

Employer strike insurance is currently one of the most llenging issues in labor-management relations. In fact, a road union leader recently said that if strike insurance ns spread, labor might discover that "the only effective ike" is the "general strike where the whole economy is paralyzed in one massive move." Despite this attitude, some managements are studying the possibility of instituting strike insurance where it is necessary "to restore the balance of power in collective bargaining."

The article appearing on page 11 examines the strike in- surance plan of one industry—the airlines. In existence for two years, the mutual-aid pact in this industry, according to one observer, "promises to have a significant impact on col- lective bargaining power and structure. . . ." A special feature of the article is its summary of the opinions handed down by the Civil Aeronautics Board on the following questions: is the pact a violation of the Railway Labor Act; does it have a harmful effect on labor-management relations; does it increase government participation in airline labor disputes; and is it a restraint of trade?

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Changing Fashions in Economic Education

Immediately after World War II, management got into economic education on a "crash" basis. Alarmed at what they felt were immoderate labor demands, many companies began formal in-plant courses designed to inculcate economic truths. Like many crash programs, these initial efforts were often poorly planned and at times proved abortive.

Today business has a more sober and realistic estimate of the potentialities for economic education. The prevalent view is that economic instruction is most successful when it is inte- grated with the employees' day-to-day working experiences. For a review of some recent company activities, see the article on page 18.

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Rest of the Record

At Armstrong Cork, attitude surveys are conducted with- out prepared questions. Interviewers encourage the employees to talk about whatever they wish. The company believes that this method enables it to learn "not only *what* the em- ployees' attitudes are but *why*." "Open-End Survey Method Reported" appears on page 15.

This month's Labor Press Highlights (page 24) contains a report on the Oil Workers' approach to the negotiation of work rules changes. The report specifies the conditions that the union feels management and labor will have to observe if outdated work practices are to be eliminated.

Among the subjects discussed in Briefs on Personnel Prac- tices (page 22) are the outside business interests of key per- sonnel, rising fringe costs, and state laws on voting time.

Recent Top Executive Pension Estimates

This survey of firms in five industry groups shows that pensions have been climbing since 1949, both absolutely and as a per cent of salary

DURING the last few years, an increasing number of companies have been studying the possibilities and pitfalls of "deferred compensation" programs for top management. Much of this investigation has been concerned with two arrangements: (1) the executive bonus or incentive plan with some device for deferring all or part of the annual award until the executive terminates employment and (2) the executive employment agreement which specifies company payments to an executive (or his estate) in case of death, disability or retirement. To a large extent, these two methods for deferred compensation are essentially supplements to a more basic program—the company pension plan.

This article analyzes the estimated pension at sixty-five of the three highest-paid executives in five major business and industry groups:

Manufacturing	538 companies
Gas & electric utilities	101 companies
Finance	92 companies
Rail & air transportation	47 companies
Retail trade	46 companies

Except for finance, the companies in each industry are the bulk of those listed on the New York Stock Exchange. The financial institutions are essentially a sample of the larger insurance underwriters, banks, and other finance companies.

THE PENSION ESTIMATE

In each case, the estimate of the pension that an executive receives at sixty-five is the one typically found in the proxy statement. Invariably this estimate is based on two assumptions: (1) that the salary on which the pension is based will remain the same for the executive until he reaches age sixty-five and (2) that no revisions will be made in the pension plan prior to the retirement of the executive under consideration.

In these two respects, most of the company estimates treat all three executives alike. Hence, differences in the estimates among the companies are based essentially on the following factors: (1) the different lengths of service of each executive at the time h reaches sixty-five; (2) differences in compensation u to the time the estimate is made; and (3) difference in the pension formula itself.

The pension estimates used here are those for eac of the three highest-paid executives for 1959. Th comparable estimate for 1949 is also used to compar industry shifts over the decade.

The Pension as a Per Cent of Compensation

As it turns out, the key to the analysis of top execu tive pension payments in each industry group is th estimate as a per cent of current (1959) compensa tion. The dollar benefit itself varies considerabl depending on the salary of the executive or the size o the company or the industry group under considera tion. But the pension as a per cent of current com pensation is a remarkably stable measure. This is s because the pension plans in the companies in an industry apparently are designed to maintain a fairl consistent relationship between pension benefits an salary.

For example, in manufacturing, the pension as per cent of 1959 compensation averages out to be tween 23% and 29% for each of the three highest-pai executives regardless of their current salary leve Furthermore, this range does not increase significantl regardless of the size of the company or the type manufacturing industry.

In the following tabulation, the medians in manu facturing and in trade are based on total compensa tion, which includes bonus awards. The medians utilities, transportation and finance are comput from the base salary. Thus the medians in manufa turing and in trade are somewhat smaller in relati to the other three industries than they should b Notwithstanding this qualification, the ratio of pe sions to total compensation in finance, transportati and the utilities—the three regulated industries— generally larger than in manufacturing and in tra

The manufacturing percentages apply to the ch executive only. In the other industries the three hig est paid have been grouped together because da

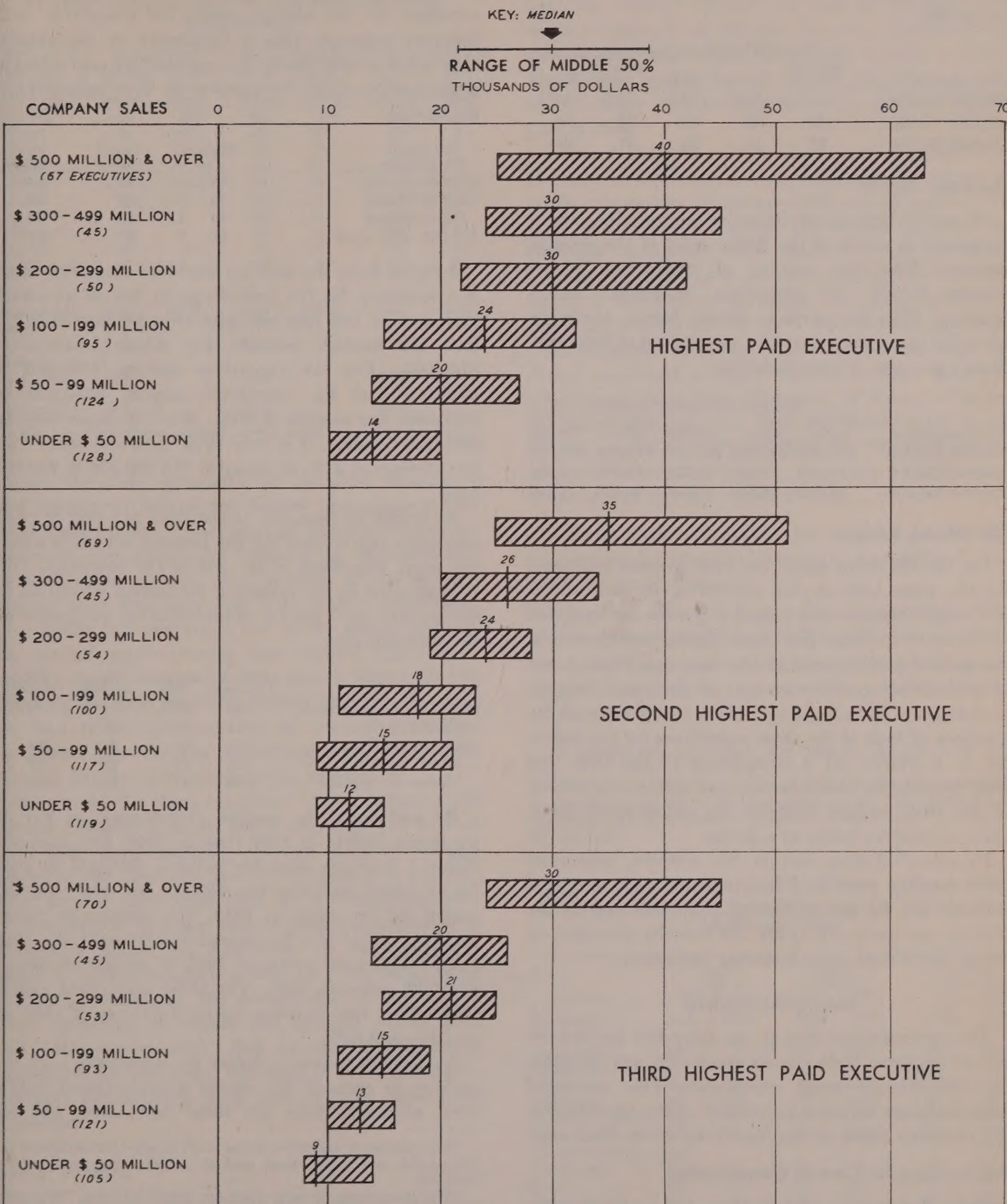

Chart 1: Estimated Pension at Sixty-five of the Three Highest-Paid Executives in Manufacturing in 1959, by Company Size

are not adequate to calculate the medians for each separately.

1959 Compensation	Median Per Cent of Compensation in Manufacturing	Trade	Utilities	Transportation	Finance
$30,000-$50,000	27%	30%	35%	38%	42%
50,000- 75,000	24	22	35	35	34
75,000-100,000	27	18	33	37	34

The Dollar Benefit

Of course, the major industry groups also can be compared in terms of the dollar level of the pension estimate. The best method of comparison is the median benefit for executives in similar salary brackets. This comparison, shown below, obviously gives the same pattern as the comparison of the benefit as a per cent of compensation.

1959 Compensation	Median Dollar Pension Benefit in Manufacturing	Trade	Utilities	Transportation	Finance
$30,000-$50,000 ..	$12,000	$12,000	$14,000	$15,000	$15,000
50,000- 75,000 ..	15,000	15,000	23,000	20,000	22,000
75,000-100,000 ..	22,000	18,000	27,000	31,000	28,000

The Industry Analyses

On the following pages the 1959 pension estimates for the three highest-paid executives in each of the five major business and industry groups are analyzed in separate sections. For trade firms, transportation companies, and financial institutions only three types of analysis are possible because of the small number of companies in each group: (1) a comparison of the pensions of each of the three executives for the industry as a whole; (2) a comparison of the 1949 and 1959 benefits for the industry; and (3) a comparison of the 1959 pension estimate, by salary level, of all three executives taken as a group.

In manufacturing and in the utilities, somewhat more detail is possible. The pensions in companies of different size for manufacturing as a whole and for the utilities are analyzed, as are the benefits provided by eleven individual manufacturing industries.

MANUFACTURING

The estimated pension at age sixty-five for at least one of the three highest-paid executives was available for 538 manufacturing companies. This group of manufacturers includes practically every manufacturing company listed on the New York Stock Exchange.

Pensions as a Per Cent of Compensation

Table 1 shows the distribution of the 1959 pension estimate as a per cent of total compensation for each of the three executives, taking the entire group of companies as a whole. By and large, the over-all averages do not change much for executives with different earnings. This is illustrated by the tabulation below which shows the median per cent of total compensation that the pension at four salary levels represents.

1959 Total Compensation	Highest Paid	Second Highest	Third Highest
$30,000-49,999	27%	27%	29%
50,000-74,999	24	29	29
75,000-99,999	27	26	27
100,000 and over	23	27	27

Judging from the data on the chief executive, there is a tendency for the percentage to fall off as salary increases. In this case the data are adequate to calculate the median benefits for salary levels over $100,000.[1] For the executives earning $100,000 to $150,000 and for executives earning $150,000 to $200,000, the median is 23%. But for those earning $200,000 or more, it is only 19%. This compares with the average of 27% of salary at the $30,000 to $50,000 level.

As would be expected, the median per cent of compensation represented by the pension benefit is about the same, regardless of the size of the company. This is illustrated in the following tabulation which shows the median per cent for manufacturing companies of five different sizes.

1959 Sales	No. of Companies	Highest Paid	Second Highest	Third Highest
$500 million and over	45	25%	27%	26%
200-299 million	54	23	28	28
100-199 million	100	26	26	28
50-99 million	124	27	28	29
Under 50 million	128	24	25	26

By and large, the median percentages are five or six points higher in 1959 than in 1949. For example, Table 1 indicates that the pension estimate in 1959 for the chief executive was 25% of his total compensation for the year; in 1949, the comparable figure was only 19%.[2] For the second-highest paid, the 1949 pension estimate averaged 22% of current earnings; the 1959 estimate, 28%. The third man could expect 24% of his 1949 earnings at sixty-five; as of 1959 he could expect 29%.

As Table 2 indicates, larger pensions have been the pattern in each of the eleven manufacturing industries, although there are some exceptions. For ex-

[1] The number of executives is too small to allow computations for the second- and third-highest paid at various salary levels above $100,000.

[2] The percentages for both years are calculated using "total compensation" as the base. Total compensation includes incentive or bonus awards earned during the year. Thus, in both years, the percentage would be somewhat higher if only base salary were used as the measure of compensation.

Table 1: Estimated Pension at Sixty-five as Per Cent of 1959 Compensation in 538 Manufacturing Companies

Pension as Per Cent of Total Compensation	Highest Paid		Second Highest		Third Highest	
	No. of Companies	% of Companies	No. of Companies	% of Companies	No. of Companies	% of Companies
5%-9%	43	9%	20	4%	19	4%
10-14	50	10	49	10	30	6
15-19	74	15	52	10	55	12
20-24	88	17	86	17	70	15
25-29	78	15	87	17	82	17
30-34	66	13	76	15	69	15
35-39	43	8	58	11	57	12
40-44	24	5	34	7	43	9
45-49	22	4	18	4	25	5
50 and over	22	4	26	5	25	5
Total companies[1]	510	100%	506	100%	475	100%
Median pension	25%		28%		29%	
High of mid 50%	34%		39%		38%	
Low of mid 50%	17%		21%		21%	

[1] May not equal 538 because data are not available for some executives.

ample, the chief executive in electrical machinery and machinery has gained twelve percentage points since 1949, but his counterpart in chemicals and food has made very little gain. Similarly, in chemicals and in textile and apparel, the pension of the second-highest paid has been relatively stable percentage-wise in the last ten years, but in the paper industry the second man's pension has jumped eleven percentage points. Relatively little gain is shown for the third-highest-paid executive in food, electrical machinery and textile and apparel; in most of the other industries, however, the percentage increase has been close to the five percentage point average.

In general, the three executives in any industry will receive pensions that are about the same per cent of their 1959 compensation, although there is a slight tendency for the chief executive to receive a somewhat smaller percentage than his two subordinates.

The pension as a per cent of 1959 compensation is noticeably higher for executives in the petroleum industry (the respective percentages are 34%, 35%, and 37%). Similarly, the percentages are low for all three executives in textile and apparel (21%, 21% and 24% respectively). But over-all, the industry differences are not large. The bulk of the median percentages fall between 27% and 31% of 1959 compensation.

Size of Pensions

Table 3 shows the estimated pension at sixty-five for each of the executives in the total group of manufacturing companies. The median pension of $23,000 for the chief executive represents an increase of 92% over the average estimate in 1949 of $12,000.[1] The median estimate of $18,000 for the second-highest paid is 80% larger than the $10,000 median in 1949. The $16,000 median benefit for the third-highest paid is 78% larger than the $9,000 benefit for his counterpart in 1949.

Table 4 compares the median pension reported in 1959 and in 1949 for the three highest-paid executives in the companies in eleven different industries. For each man in each industry, the median pension has increased noticeably since 1949. It is up anywhere from $5,000 to $17,000 for the chief executive; from $3,000 to $13,000 for the second executive; and from $3,000 to $10,000 for the third man in each industry.

As a general rule, the chief executive in each industry registered a larger relative increase than the second and third man. However, in three industries the percentage gain over 1949 was considerably larger for the second-highest paid than for the chief executive, whose relative increase was only slightly more than that of the third-highest paid.

- In the paper industry, the relative increase in the median for the chief executive was 82%; it was 144% for the second man.
- In food, the chief executive registered a 58% increase over 1949; the second highest gained 138%.
- In fabricated metals, the chief executive gained 64%; while the second man moved up 113% over the 1949 median.

As might be expected, the rate of increase in the

[1] The 1949 medians are based on data for 270 manufacturing companies, nearly all of the companies on the New York Stock Exchange that gave pension estimates in their proxy statements for that year.

Table 2: Estimated Pension as a Per Cent of Total Compensation in Manufacturing by Industry, 1949 and 1959

Industry	Highest Paid		Second Highest		Third Highest	
	1959	1949	1959	1949	1959	1949
Petroleum	34%	29%	35%	28%	37%	29%
Electrical machinery	30	18	29	24	27	26
Stone, clay & glass	28	20	31	24	32	24
Machinery	28	16	27	22	29	22
Primary metals	26	19	28	21	27	20
Paper	25	20	31	20	30	26
Transportation equipment	24	16	28	20	28	22
Food	22	19	27	22	29	29
Chemicals	22	21	24	25	31	26
Textile & apparel	21	18	21	22	24	24
Fabricated metals	20	18	27	20	30	23

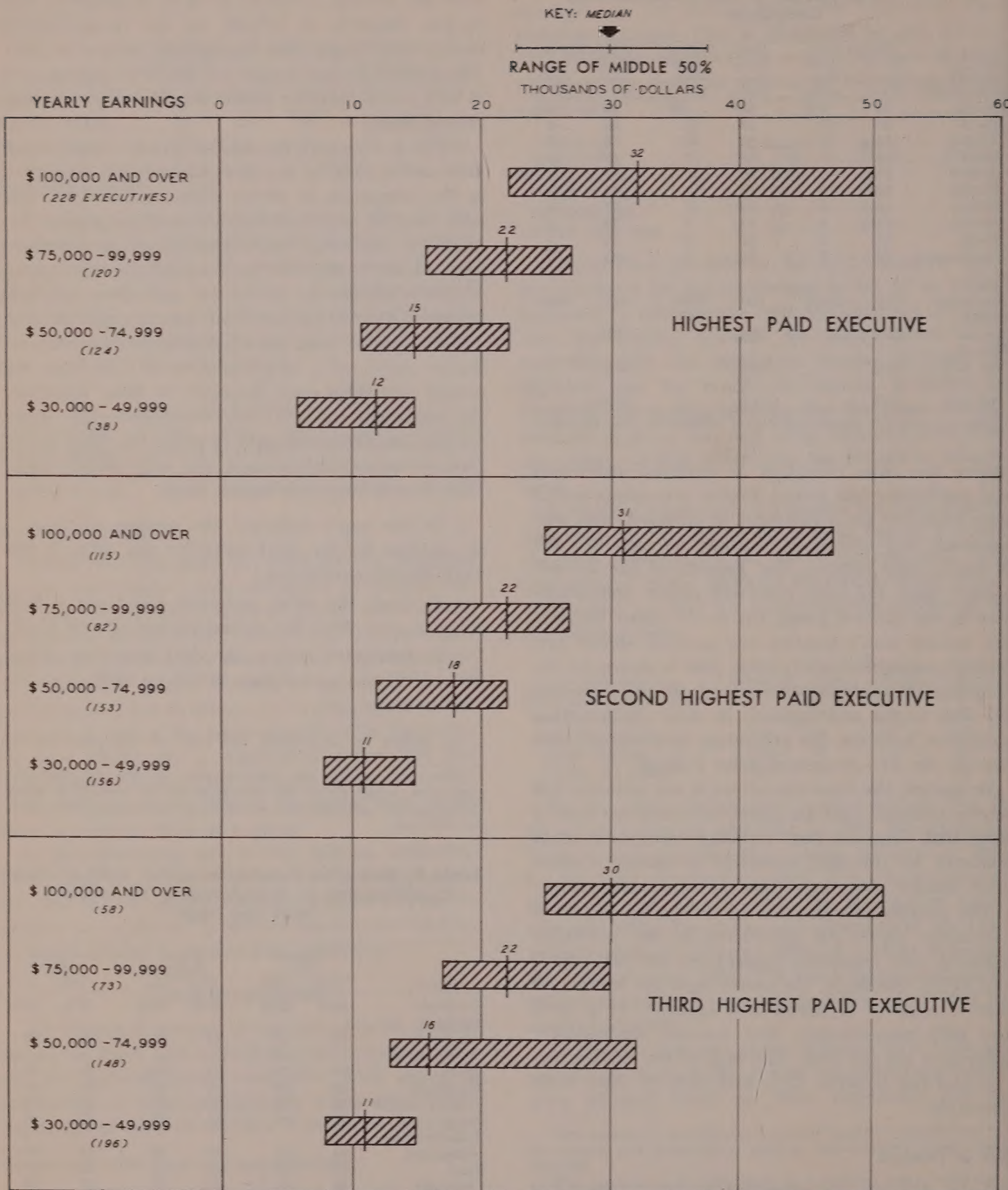

Chart 2: Estimated Pension at Sixty-five of Three Highest-Paid Executives in Manufacturing in 1959, by Earnings

Table 3: Estimated Dollar Pension at Sixty-five in 538 Manufacturing Companies

Estimated Pension at 65	Highest Paid No. of Companies	Highest Paid % of Companies	Second Highest No. of Companies	Second Highest % of Companies	Third Highest No. of Companies	Third Highest % of Companies
Under $5,000 ..	14	3%	12	2%	19	4%
5-9,000	42	8	81	16	92	19
10-14,000	71	14	100	20	110	23
15-19,000	76	15	88	17	99	21
20-24,000	77	15	74	15	53	11
25-29,000	75	15	63	12	41	9
30-34,000	31	6	20	4	16	3
35-39,000	22	4	25	5	20	4
40-44,000	30	6	11	2	3	1
45-49,000	13	3	4	1	5	1
50-54,000	27	5	14	3	5	1
55,000 and over.	32	6	4	3	12	3
Total companies[1]	510	100%	506	100%	475	100%
Median pension	$23,000		$18,000		$16,000	
High of mid 50%	34,000		28,000		22,000	
Low of mid 50%	15,000		12,000		10,000	

[1] May not equal 538 because data are not available for some executives.

median benefit of each executive varies considerably from one industry to another. For example, the median increased less than 25% over 1949 for each of the three executives in the petroleum industry. In effect, the other industries "caught up" with the oil companies which, in 1949, provided pensions considerably larger than those in the other manufacturing industries.

Similarly the gain in textile and apparel and in chemicals is consistently low for all three executives. On the other hand, all three executives in stone, clay and glass have done consistently better than average. In the other seven industries, there is no general pattern: one executive may do better than average, while another will fall below the average. For example, the median for the chief executive in all industries increased 92% over 1949. But the medians in the individual industries fluctuate considerably around this average.

- In four industries the median for the chief executive increased considerably more than average: electrical machinery (211%); machinery (167%); primary metals (160%); and stone, clay and glass (125%).

- In two industries, the increase in median pension was close to average: transportation equipment (83%) and paper (82%).

- In the other five industries, the increase was considerably below average: chemicals (69%); fabricated metals (64%); food (58%); textile and apparel (58%); and petroleum (23%).

The median benefit for the second-highest-paid executive increased about 80% between 1949 and 1959 for the group of manufacturing companies as a whole. But there is considerable variation among the industries.

- In six of the industries, the median for the second man increased more than the average: electrical machinery (186%); paper (144%); food (138%); stone, clay and glass (120%); fabricated metals (113%); and transportation equipment (100%).

- In the other five industries, the increase in the median was somewhat below average: primary metals (80%); machinery (56%); chemicals (55%); textile and apparel (33%); and petroleum (14%).

On the average the median benefit for the third-highest-paid officer increased about 78% for the entire group of manufacturers. But there is less variation from industry to industry for this particular executive.

- On the high side is stone, clay and glass where the median increased 143% over 1949.

- About average are transportation equipment (89%) and machinery (67%).

- The other eight industries all range below the average: primary metals (60%); electrical machinery (56%); chemicals, paper, and fabricated metals (each 50%); food (40%); textile and apparel (33%); and petroleum (19%).

To some extent at least, the differences in the median pension for a particular executive reflect the

(Continued on page 26)

Table 4: Estimated Median Pension of Three Highest-Paid Executives in Manufacturing by Industry, 1949 and 1959

Industry	Highest Paid 1959	Highest Paid 1949	Second Highest 1959	Second Highest 1949	Third Highest 1959	Third Highest 1949
Electrical machinery	$28,000	9,000	$20,000	7,000	$14,000	9,000
Petroleum	27,000	22,000	23,000	19,000	19,000	16,000
Stone, clay & glass	27,000	12,000	22,000	10,000	17,000	7,000
Primary metals	26,000	10,000	18,000	10,000	16,000	10,000
Machinery	24,000	9,000	18,000	8,000	15,000	9,000
Transportation equipment	22,000	12,000	20,000	10,000	17,000	9,000
Chemicals	22,000	13,000	17,000	11,000	15,000	10,000
Paper	20,000	11,000	22,000	9,000	15,000	11,000
Food	19,000	12,000	19,000	8,000	14,000	10,000
Textile & apparel	19,000	12,000	12,000	9,000	12,000	9,000
Fabricated metals	18,000	11,000	17,000	8,000	15,000	10,000

Postemployment Inquiry Found Helpful

Employees planning to resign often "close up" in exit interviews. Questioning them after termination can sometimes yield additional insights, says GMAC

THOSE INVOLVED in exit-interviewing programs sometimes wonder if their labors are as productive as they might be. Seldom is it possible to persuade a valued worker to reconsider his decision to leave. It is likely that he has been contemplating a move for a period of weeks or even months, and thus the interview, coming too late, amounts to little more than "locking the barn after the horse has run away."

But, it may be objected, holding on to valued workers is not a major purpose of most exit-interview programs. This is true. Companies have discovered that this purpose can be served better in other ways.

An objective of many current exit-interviewing programs is to learn of problems and of weaknesses in the organization so that something can be done about them, thus building a stronger company that is able to hold its valued employees. Here, too, the effectiveness of the exit interview in getting all of the desired information is debatable.

Three reasons for doubt are given. First, it is said, the employee who is leaving the company may be too close to the situation to view it in perspective. Second, since he is still on the payroll, he may hesitate to express his true feelings. If asked why he is leaving, for example, it is easier for him to say "to take a better job" than "because I have found that I cannot believe what my supervisor tells me." Third, the employee may need a recommendation during the years ahead and therefore may hesitate to report anything negative unless he is convinced that the company really wants to know his true feelings and that it will not hold his remarks against him.

But suppose the individual is asked a few questions *after* he has left a job. Will he have gained some perspective? Will he feel freer to offer unfavorable comments, if he has any to offer? One company that answers "yes" to these questions is the General Motors Acceptance Corporation (GMAC).

In 1948 GMAC added a postemployment questionnaire to its exit-interviewing program.[1] Eleven months ago the form that had been in use was revised. This article is based on some of the things that GMAC has learned through its new postemployment questionnaires during the first half of 1960.

[1] The Fisher Body Division was the first General Motors unit to use the postemployment questionnaire plan. This was in 1945. The Fisher and the GMAC procedures are similar but not identical.

The GMAC Organization

GMAC is an organization of 10,000 employees, located in 325 branch offices in the United States, Canada, and overseas. The headquarters' offices are in New York City. GMAC was established in 1919. The company's business is the financing of the different products of General Motors, chiefly automobiles.

It is important to state that GMAC employs many young people. More than one-half the employees are under thirty years of age. A sizable fraction of these are in their first jobs. Almost half the workers are women, and the goal of many of them is "to work two or three years, save a little money, and start a family."

The burden of work is rather heavy. The men are out of the office much of the time following up delinquent accounts. It frequently is necessary for them to work one or more evenings per week. Much of the work done by the women is of a routine nature. Few of the jobs done by the younger workers can be described as glamorous.

Under these circumstances, high turnover might be expected. Actually, turnover for 1959 was only 15.5%.

Two to three weeks after leaving GMAC, the employee who has resigned receives a letter. It is signed by the company's director of personnel administration. The letter says:

"Notice of your recent resignation has just come to my attention. It is our desire that GMAC always be considered a fine place to work. Accordingly, we would appreciate your cooperation in replying to the attached questionnaire.

"Your answers will be used primarily in connection with studies of the effectiveness of our personnel policies. If you wish, and so indicate, they will be kept confidential.

"Please accept our very best wishes."

A stamped return envelope and a single-page questionnaire are enclosed. The questionnaire is shown on the facing page. Only three questions are asked. The form can be filled out in a few minutes.

Forty per cent of the questionnaires are filled out and returned. The company considers this return highly satisfactory, pointing out that none of the persons receiving the letter are under any obligation to comply with the request it contains. GMAC interprets the 40% return as evidence of good morale among the employees, extending into the postemployment period. It should be noted that the questionnaire is not only brief but also easy to fill out. The prepared envelope also encourages cooperation.

Each return that is signed is acknowledged with thanks. A study of the completed questionnaires shows that a large majority of the terminators have a favorable attitude toward GMAC. A number take the occasion to mention things they had enjoyed as GMAC employees.

May we have your cooperation?

1. What were the things that influenced you to leave GMAC?____________

2. If you left to take other employment, would you mind telling us the advantages you feel your new position offers as compared with the position you held in GMAC?____________

3. Do you have any other comments or suggestions that you feel would be helpful from an employee relations standpoint?____________

☐ MR.
☐ MISS
Name ☐ MRS.____________

(If you prefer to submit this form unsigned, please feel free to do so)

Present Address____________
(No. and Street)

____
(City and State)

Former GMAC Branch________ **Date**________

A self addressed envelope is enclosed for your convenience.

This is the questionnaire that is sent by GMAC to all employees who resign, two to three weeks after their resignation. The original form is $7\frac{1}{4}$ inches by $10\frac{1}{2}$ inches.

Why Do They Leave?

Analysis of the answers to the first question ("What were the things that influenced you to leave GMAC?") shows the following reasons at the top of the list:

Reason for Leaving	*Per Cent of Those Replying*
Moved to another location	24%
Preferred to remain at home	20%
Preferred other type work	15%
Left to continue education	8%
Offered better position elsewhere	7%

(No other single reason was given by more than 6% of those replying.)

Employment opportunities in other GMAC branches always are discussed with a GMAC employee who is moving to another location, provided he has a good record. But not all communities have a GMAC branch office, and there is not much the company can do in such situations. The largest number of terminators are in this group.

And there is not much that can be done when a young woman employee announces that she is going to remain at home to get married or to start a family.

In considering the last three reasons cited above, it should be recalled that GMAC employs thousands of young people. Inevitably, some of these find they do not "fit," even though all applicants are tested before employment.

Nature of the Follow-Up

If a returned questionnaire is signed and if it contains any negative remarks or any specific criticisms of the company, it is followed up promptly.[1] The person involved will be offered the opportunity to elaborate his statement. He will be invited to the office or he will be visited in his home by a company supervisor.

[1] While the number of returns that contain critical remarks is small, each one is considered important. Each is regarded by GMAC as providing an opportunity to investigate a situation that might lead to improved operations. The follow-up is done by the line organization.

Follow-up will be continued until all possible facts have been collected.

As a result of this procedure, various misunderstandings have been cleared up, amends have been made (as when it is discovered that an employee has left GMAC abruptly and without some of the benefits to which he is entitled), and company practices have been changed. In a few instances, personnel changes have resulted.

Advantages

GMAC reports a number of advantages from its postemployment survey. These include good public relations with employees who leave the organization, deeper insight into day-to-day problems in the branches, and suggestions that have led to improvements in operations.

No claim is made that the postemployment questionnaire represents a major technique in personnel administration. Rather it is an extra step taken to supplement the exit-interviewing program. It is thought to be worthwhile because the individual who has left is unlike the person still on the payroll. Since he has no axe to grind, he can say what he likes—and he often does. Companies find that they can learn a lot from him.

STEPHEN HABBE
Division of Personnel Administration

Management Bookshelf

The Theory of the Growth of the Firm—What factors must be present to make a firm grow? Taking as its point of departure both modern administrative theory and the economic theory of the firm, the author concludes that the main factor is surplus managerial capacity.

At the heart of company growth, the author maintains, is the entrepreneur, the corporate innovator and builder. External conditions are secondary. For conditions only make themselves felt—only become opportunities—when seen through the eyes of the entrepreneur. It is in this way that the book accounts for growth by mergers, diversifications, and acquisition, as well as through response to market conditions.

Another point made is that since surplus managerial capacity is the key, only the company's rate of growth, not its size, is limited. In this case the limit is the speed with which people can get to know and work with one another. *By Edith Tilton Penrose, John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, New York, 1959, 272 pp., $6.*

The Red Executive—This is a description of the Soviet factory manager and a comparison with the American executive. Based on first-hand information gathered by the author during visits to the Soviet Union, the book is loaded with anecdotes and written in a conversational style. One of the author's main points is that despite differences in economic and political organization the daily routine of the "red" executive and his red, white and blue counterpart are "startlingly similar." *By David Granick, Doubleday & Company, Inc., Garden City, Long Island, New York, 1960, 334 pp., $4.50.*

Key Events

On November 3, 1958, six major airlines—American, Capital, Eastern, Pan American, Trans World and United—announced that they had agreed on a mutual strike-aid pact, dated October 20, 1958.

After considering a protest against the pact filed by a group of limited schedule airlines and after a hearing at which unions representing airline employees challenged the pact as illegal, the Civil Aeronautics Board, on May 20, 1959, gave the agreement its approval by a four-to-one vote. The first announcement of the (tentative) decision had been made almost four months earlier, on January 26, 1959.

However, the approval was accompanied by four conditions. One of these, in effect, ordered an amendment to the contract—a change which the six airlines carried out. On October 19, 1959, after CAB had again considered the pact, it affirmed the approval it gave five months earlier.

On March 7, 1960, the six carriers amended the agreement once more. This amendment expanded the contract to cover a strike called in the absence of the appointment of a presidential emergency board. After this change had been made, four more airlines (Braniff, Continental, National and Northwest) joined the pact. In the light of these and other developments, the Civil Aeronautics Board has announced that soon it will make a new study of the contract and its effects.

The Airlines' Pact for Mutual Strike Aid

This article makes a detailed examination of the history and objectives of the agreement. Included is a discussion of labor, management, and government views

MANAGEMENT, union and public interest in the mutual-aid pact of the airlines has been steadily increasing in recent months. Among the questions being asked are these: What does the pact require its members to do in behalf of an air carrier that is experiencing a strike? What tests, legal and otherwise, has the pact already met?

Some management interest has doubtlessly resulted from still another question: Are the basic ideas of the pact adaptable to other industries? For example, some study has already been given to whether the mutual-aid pact approach could be adapted to the trucking industry.[1]

In an effort to facilitate study of these questions, this article makes a detailed examination of the airlines pact—its objectives, history, and the labor-management controversy that has ensued.

THE CONTROVERSY

In the two years since the airlines' strike-aid agreement was first announced, company and union spokesmen in the industry have continued to disagree sharply over the validity of the agreement and its effects upon labor-management relations.

The carriers claim that the pact is necessary in order to deal with what has been called a collective bargaining "unbalance" that has favored the unions. They assert they have been steadily losing "the economic capacity to deal with the unions on terms approaching equality."

On the labor side, seven of the unions that have been critical of the pact have now formed their own association.[2] In their view, the contract tips the bargaining scales heavily in favor of the companies. They consider the pact "an open declaration of warfare."

One observer[3] has said that the pact "promises to have a significant impact on collective bargaining power and structure in this vital industry" and that it may be "regarded as virtually industry-wide in scope and applicable to any strike—except one in which the carrier has violated the Railway Labor Act[4] or refused to settle on the basis of emergency board recommendations that the striking union is willing to accept."

THE ORIGINAL AGREEMENT

The mutual-aid pact was adopted at a time when one of the six member airlines, Capital, was under a strike by the International Association of Machinists, and when two others, Trans World and Eastern, were under the threat of a strike by the same union. The IAM, bargaining agent for mechanics and ground service personnel at Capital Airlines, had rejected the recommendations of a presidential emergency board, as well as the wage increase offered by Capital.

The pact declared specifically that one reason for its adoption was the existence of an IAM strike against Capital and of a strike threat against the other two. Another reason given was that it sought to promote greater "respect" for presidential emergency board recommendations.

The pact provides that each signatory pays the struck airline an amount equal to the net income[5]

[1] See "New Developments in Labor Relations, A Discussion of Service Interruption Insurance," an address delivered on February 12, 1960, before the Board of Governors of the Regular Common Carrier Conference, by Benjamin R. Miller, director, Industrial Relations Department, American Trucking Associations, Inc., Washington, D. C. Also, see the item on strike insurance in the railroad industry which appears on page 25 of this issue.

[2] These unions are the Air Line Pilots Association, the Transport Workers Union, the Air Line Dispatchers Association, the Brotherhood of Railway Clerks, the Flight Engineers' International Association, the International Association of Machinists and the United Auto Workers. The alliance is called the Association of Air Transport Unions. The Air Line Stewards participate as an affiliate of the Air Line Pilots.

[3] Mark L. Kahn, associate professor of economics, Wayne State University, in a paper entitled "Mutual Strike Aid in the Airlines," presented at the 1960 Spring Meeting of the Industrial Relations Research Association.

[4] Air transportation was brought under the Railway Labor Act in 1936. Under Section 401 of the Civil Aeronautics Act of 1938, a carrier must comply with the Railway Labor Act as a condition for obtaining or retaining a route certificate.

[5] The approximate amount of strike-aid benefits that have changed hands under the pact through August 31, 1960 is shown in the table on page 14.

◀ Key Events in the Mutual-Aid Pact Story

from the increase in business which is attributed to the strike. Payment is made under any of three strike circumstances: (1) when the strike is called to enforce demands in excess of, or opposed to, the recommendations of a presidential emergency board under the Railway Labor Act; (2) when it is called before the employees have exhausted the procedures of the Railway Labor Act; and (3) when it is "otherwise unlawful."

Since the strike against Capital was called to secure a settlement "in excess of" an emergency board's recommendations, it qualified under the terms of the pact, and Capital became the first airline entitled to receive strike-aid payments—subject to approval of the agreement later by the Civil Aeronautics Board. Only part of the strike period was covered—the part after October 20, 1958, the effective date of the agreement.

CAB Approves Pact—Orders One Modification

When the approval was given, seven months later, it was qualified.

In general, the board decided that the pact would be permitted to stand since it was not adverse to the public interest and did not interfere with the purposes of the Railway Labor Act. It simply left the parties free, said the CAB, to engage in reciprocal tests of economic strength within the framework of collective bargaining.

But the board did order the deletion of a clause that would have required the struck airline to direct to other members of the pact as much of the strike-bound traffic as possible. The Justice Department had raised a question[1] as to the effect this clause might have on competition among the airlines, or between airlines and other forms of transportation. The Civil Aeronautics Board decided that the clause unduly restricted competition and was unnecessary to the basic plan of mutual aid. As mentioned in the accompanying box, the carriers amended the contract as required.

Arguments Pro and Con

The Civil Aeronautics Board listed five questions on which it invited comment from companies and unions at the time the original inquiry into the pact was made. The questions were these:

1. Does the agreement violate any applicable provisions of the Railway Labor Act?

[1] The Justice Department offered views pro and con. CAB also invited comments from the Department of Commerce, the Department of Labor, the National Labor Relations Board and the National Mediation Board.

2. Will the operation of the agreement improve or impair labor-management relations in the industry?

3. Will the agreement discriminate in restraint of trade against other air carriers not parties to it?

4. What effect, if any, will the agreement have upon administration of the mail-pay (subsidy) program?

5. What effect, if any, will the agreement have upon the extent of government participation in labor-management disputes?

Is the Pact a Violation of the Railway Labor Act?

The airlines asserted that the Railway Labor Act is advanced, not violated, by the pact because it tends to give support to presidential emergency board recommendations. Whatever pressures exist to induce unions to accept those recommendations are pressures that come from a mutual and voluntary cooperation among the companies to deter unlawful union conduct. The Railway Labor Act remains unchanged. Compliance, according to the companies, is induced by a "clash of competitive economic bargaining strength." Further, said the companies, the pact does not operate unless the struck airline accepts the recommendations of the emergency board set up under the act. This means the pressure is exerted on both the company and the union.

The unions[1] said the pact leads to "a repudiation of the statutory requirement that collective bargaining be in good faith," interferes with the prompt settlement of disputes, and brings into a given dispute carriers that are not involved in it. They challenged the contract as a "combination" created for the purpose of forcing "compulsory arbitration" upon the unions by in effect changing RLA emergency board recommendations from voluntary into compulsory. They pointed out that the act expressly *precludes* compulsory arbitration.

Furthermore, they claimed that the combination violates an RLA proviso which has been interpreted as prohibiting either a company or a union of its employees from entering group bargaining or group dispute settlement without the other's consent.

Does It Have a Harmful Effect on Labor-Management Relations?

The air carriers saw the pact as improving the collective bargaining process by deterring strikes and by restoring a better balance in the economic position of unions and employers.

[1] At the time of the first approval by the CAB, four unions had filed statements of opposition: the IAM, the Railway Clerks, the Air Line Agents, and the Air Line Pilots.

In contrast, the unions said the pact "can result only in an expansion of the area of labor disputes and could lead to industry-wide disputes and strikes."

The unions' statement on this point adds:

> "Obviously no organization representing employees can sit idly by and do nothing while the dispute it is having with one carrier is financed and supported by a group of other carriers with whom it may or may not have disputes. Self-defense would ultimately require action with respect to the whole group to the extent permitted by law."

Is It a Restraint of Trade?

The airlines argued in their brief before the board that the pact involves no restraints of trade and is consistent with the antitrust laws. They pointed out, for example, that a passenger or shipper remains free to give his business either to a pact member or to any other carrier. Also, the financial aid to a struck carrier makes it possible for it to stay in business instead of limiting its ability to compete. The purpose of the pact, according to the airlines, "is the opposite of any plan by a few carriers to enlarge or preserve their positions in the industry at the expense of a competitor." They added that at most it could affect only a segment of the market for airline services and only for a limited time.

The unions in contrast attacked the pact as an "illegal combination" of the carriers which, if approved by the CAB, would acquire a form of government backing.

> "Specifically, they are not entitled to engage in a combination to break a lawful strike through an agreement approved by the Civil Aeronautics Board. Such action by the Federal Government in any of its departments or agencies is entirely without precedent."

Does It Have a Harmful Effect on the Government's Mail-Pay (Subsidy) Program?

The carriers asserted that the effect of the agreement upon the mail-pay program is "extremely limited" and that the subsidy has "virtually disappeared among the domestic trunk carriers." However, the carriers' brief adds that a "limited effect" is possible if a subsidized carrier has its subsidy case pending before the board *at the time of the strike*. In that case, the carrier is entitled to have its strike losses taken into account, provided it meets a certain statutory standard.[1] The carriers argued also that "any payments made" to a subsidized carrier "will reduce its 'need' for revenue and so for the subsidy."

Although none of the six carriers in the original pact were receiving subsidy payments, the unions pointed out that subsidized carriers[2] are free to join the pact:

> "It thus makes possible the use of federal treasury funds to finance a combination to break a legal and valid strike. The impropriety of this use of federal funds speaks for itself and needs no argument."

In addition, the unions argued that (1) if a subsidized carrier does not have a subsidy case pending *at the time of the strike payment* to the struck carrier, it will escape possible restrictions by the CAB, and that (2) even if it has such a case pending, it will be difficult for the CAB to disallow such payments in making subsidy computations.

Does It Increase Government Participation In Airline-Labor Disputes?

The carriers argued that the agreement would induce "greater respect" for the recommendations of emergency boards and would not result in government participation in airline labor disputes. Administration of the contract is left to the airlines themselves. If disagreements should arise, the parties to the contract have recourse to the courts.

Disapproval of the pact by the CAB, the airlines said, would "deny to employers in the airline industry any degree of mutual cooperation" and would give "encouragement to the whipsaw tactics" of unions in picking off employers individually.

The unions argued that this or any other combination of carriers "can result only in an expansion of the area of labor disputes and could lead to industry-wide disputes and strikes." According to the unions, the pact would involve the Civil Aeronautics Board since, in order to safeguard the public interest, it would need to keep pact members within the limits of the agreement.

The Grounds on Which the CAB Approved the Pact

The first conclusion reached by the Civil Aeronautics Board was that the airlines' pact did not violate the Railway Labor Act, nor did the board

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[1] On page 43 of the carriers' brief: "Subsidy is fixed by the board under Section 406 (b) of the Federal Aviation Act, which provides that, in determining subsidy, the 'board shall take into consideration,' among other factors, the 'need' of the carrier in question for revenues from all sources sufficient 'to enable such carrier under honest, economical, and efficient management to maintain and continue the development of air transportation to the extent and of the character and quality required for the commerce of the United States, the postal service, and the national defense,' 72 Stat. 763."

[2] For a discussion of subsidy reimbursement of airline strike losses, see "Reimbursing Airline Strike Losses with Federal Subsidy: The Railway Labor Act Aloft," 68 *Yale Law Journal*, November, 1958, pp. 77-97.

find anything in the pact that would impede good-faith-bargaining in the industry.[1]

"The agreement, although increasing management's abilities to withstand the economic impact of strikes in the same manner that union strike benefits cushion the economic effect on employees, does not purport to affect the carriers' duties under the Railway Labor Act to bargain in earnest."

The board's view is that mutual aid does not prolong labor disputes and that the record of strike payments up to the time of the decision has borne this out. The strike payments, it said, do not recoup a struck carrier's fixed costs or its extraordinary strike expenses. Thus, the board concluded that major losses of revenue, continuing fixed expenses, and possible permanent diversion of traffic to competing carriers provide an "incentive" for pact members to avoid strikes by bargaining in good faith.

Each carrier retains "complete and exclusive control over its own collective bargaining" and its right to strike payments is not related "to the popularity of its bargaining posture among the other parties."

The board rejected the unions' argument that the carriers' mutual-aid pact was an attempt to turn voluntary presidential board recommendations into compulsory ones by indirect effect. It said:

"The Railway Labor Act is silent on the matter of private efforts to compel acceptance by unions of the recommendations of emergency boards. Nothing in the legislative history called to our attention indicates that Congress intended to forbid a mutual aid pact among employers for that purpose. The board will not usurp the congressional prerogative by embroidering additional prohibitions on the fabric of the Railway Labor Act."

[1] Both the Railway Labor Act and the Federal Aviation Act provide that every air carrier and its employees must comply with the applicable provisions of the Railway Labor Act. Section 412 of the Federal Aviation Act directs the CAB to approve any agreement "that it does not find to be adverse to the public interest" or in violation of the Federal Aviation Act.

However, the board sought to guard against any chance that the carriers might violate the Railway Labor Act at some future time. It attempted to do this by stating (1) that the board's approval must not be taken as affecting the rights and obligations of the parties under the act, (2) that its approval could still be revoked, and (3) that the board had not exhausted its statutory powers by the proceedings in which it had engaged. As part of its continuing jurisdiction over the agreement, it perpetuated the reporting requirements it had placed on the carriers in the past.

The carriers and the unions had each claimed that the other was favored by a preponderance of bargaining power. The board disagreed with both. The industry, it said, has not been, nor, with the agreement, will it be "afflicted by such a disparity of economic power" between labor and management that there could not continue to exist the "degree of stability and efficiency in air transportation that freedom from industrial strife will provide."

Two reasons were cited by the CAB. One, the duty of the carriers to work for prompt and orderly settlement of disputes was not changed by the pact. Two, the unions gave no support for the argument that the pact will result in more labor disputes and industry-wide strikes.[1]

The CAB also examined the pact to determine whether it would lessen competition among the pact members. The board noted that, according to the Federal Aviation Act (Section 414), its approval of the pact would give the carriers immunity from the antitrust laws to the extent necessary to carry out its terms. It was with this in mind that the board ordered struck from the agreement the provision that the

(Continued on page 32)

[1] Counsel for the Machinists and the Railway Clerks, in oral argument at the CAB hearing, disclaimed any intention on the part of their unions to engage in retaliatory strikes.

Payments and Receipts Under the Mutual-Aid Pact—Through August 31, 1960[1]

Amounts Received By	Amounts Paid by							Total
	American	Capital	Continental	Eastern	Pan American	Trans World	United	
American	....	$282,117	....	....	....	$1,260,088	$1,830,000	$3,372,205
Capital	$908,260	....	....	$300,664	....	$418,424	$992,042	$2,619,390
Continental [2]	....	....	....	....	....	....	....	....
Eastern	$262,711	$321,627	$2,235	....	$288,000	$123,602	$77,130	$1,075,305
Pan American	....	....	....	....	....	....	....	....
Trans World	$727,162	$136,265	....	$424	$319,000	....	$1,189,503	$2,372,354
United	....	....	....	....	....	....	....	....
Total	$1,898,133	$740,009	$2,235	$301,088	$607,000	$1,802,114	$4,088,675	$9,439,254

[1] The figures in this table are derived from the monthly reports made by the airlines to the Civil Aeronautics Board. In a few cases, the figures are approximations and subject to minor revision.

[2] Continental reported a partial work stoppage to which it attributed certain revenue losses for the period June 9–July 31, 1960; however, Continental reports receiving no payments as of the end of August, 1960.

"Open-End" Survey Method Reported

Not wishing to slant its attitude survey in any way, the Armstrong Cork Company does not prepare questions. The employee discusses what's important to him

THE Armstrong Cork Company made its first employee attitude survey in 1937. Since then, periodic surveys have become a standard personnel practice at the company. In some cases Armstrong has conducted its own poll; in other instances outside consultants have been brought in to do the job.

The company has experimented with a variety of survey techniques. The approach it now favors is unique in several respects. Armstrong calls it the "open-end" method. The surveys are made through individual interviews exclusively. The interviewing is nondirective, or unstructured, which means that the employee is "given his head," without leading, to say what he wants to say. The role of the interviewer is simply to get him talking and to record his ideas. Thus, neither written nor oral questions are prepared.[1]

It is Armstrong's belief that it is not necessary or desirable to phrase questions in advance. "To do so," a company executive points out, "is to decide what things are important to talk about. We feel it is better for the employee to decide what things are important to him. After all, this is an *employee* survey, and we do not wish to slant it in any way."

Armstrong Cork no longer attempts company-wide surveys. With more than 13,000 employees scattered across the country in 16 plants, such a survey, using the interview approach, would not be feasible.[2] And since each plant is a distinct unit with its own problems, nothing special would be gained by attempting to survey the entire operation at one time.

A plant manager who has decided to make a survey is free to seek help wherever he wishes. The chances are he will make his decision known to the executive offices since he probably will want to draw on the company's experience with surveys in other plants.

Getting Started

The next step probably will be a discussion of plans between a survey specialist from the company's personnel division and the plant management. Procedures will be described, dates will be set, and suggestions will be made for informing the plant's employees and supervisors of the survey.

It may be helpful to give special attention to the last item because the Armstrong approach is unlike others usually followed. Here is the survey announcement made by one plant manager (with identifying names and extraneous items deleted):

"In 1951 we conducted an opinion survey among the people in the plant that proved to be very helpful. . . . I believe a new survey to secure your comments, ideas and suggestions would help me and our whole plant management group. . . .

"They [the interviewers] will meet individually with as many people as possible from all groups including supervisors and office personnel. Because of our great numbers they will not be able to meet with everyone and they will select those who will participate. They will not have a series of set questions, as their primary interest is in what you have to say. They will take notes, but your ideas will not be reported by name unless you want to have it done. They will report to me on a group basis and not what any particular person had to say.

"I hope those selected will be free with their ideas and opinions. We are doing this because we want them and because we believe they will be helpful in making our plant a better place to work and our business a better business."

A recent plant survey may be cited to illustrate typical practice. All supervisory personnel, 58% of the salaried, and approximately 20% of the hourly employees were interviewed. In all, 214 persons or about 25% of the plant's payroll were included in the survey.

The sampling was done by department size, using the following breakdowns:

Number in Department	*Sampling*
25 to 50 employees	Every 3rd employee
51 to 100 employees	Every 4th employee
101 to 250 employees	Every 5th employee
251 to 400 employees	Every 6th employee

[1] Only one other company (the Monsanto Chemical Company) known to THE CONFERENCE BOARD uses this method, and its approach varies from Armstrong Cork's in some particulars.

[2] The company manufactures resilient floor covering, building materials, industrial specialties and packaging materials. Annual sales are now approaching $300 million. Executive offices are located in Lancaster, Pennsylvania.

"This method," according to a company report, "assured a representative sampling from all departments, shifts, crafts, racial groups and areas; also of low, medium and high seniority employees."

Three interviewers from the company's central personnel office spent eight days at the plant talking with the employees who were included in the survey. No one selected for interviewing refused to participate. Each interview was conducted in private. Only subjects raised by the workers themselves were discussed.

The interviewer introduced himself when the employee entered the office, and then proceeded as follows:

1. The interviewee was asked what he knew about the survey.
2. The purpose of the survey was explained. Quotations from the manager's bulletin were used for this purpose.
3. The impartial manner of selecting individuals for interviewing was described, and the groups being interviewed were mentioned.
4. The nondirective interviewing method to be used was explained.
5. The interviewer listened only. He gave no answers to company problems. He gave no personal opinions or advice.
6. The actual interview was begun by a general statement such as: "Mr. ——— [the manager of the plant] has asked us to make this survey and would like you to tell us what ideas you have which will make this plant a better place in which to work."

The employee was asked if he minded if notes were taken while he talked. The purpose of note taking and the use to be made of the notes were stated. If the employee objected or if it appeared that he would be upset by note taking, the interviewer refrained from making them. Under these circumstances he did his best to remember what was said and to reconstruct the interview after the employee left the room. The interviewer had a tape recorder and could dictate his notes (whether they were written or in his mind) at the conclusion of each interview. Every effort was made to preserve the "flavor" of the interview as well as its actual content. The interview was reconstructed in the employee's own words as far as possible.

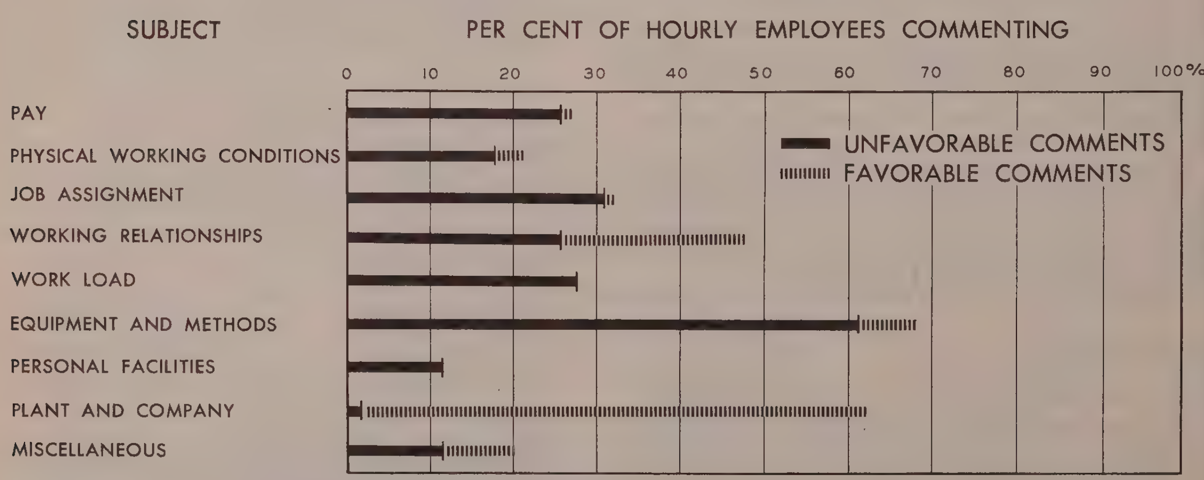
The survey was completed on the eighth day. By the time the interviewers returned to their home base most of the tapes (which had been mailed in each day) had been transcribed, and it was possible to begin the task of putting the report together.

Charting the Findings

All subjects raised by one or more employees were listed. The number of times each subject was mentioned was recorded, and the positive (favorable) mentions were kept separate from the negative (unfavorable, critical) mentions. The resulting picture was drawn for subgroupings of employees (e.g. the hourly employees and the employees in the different departments) as well as for the plant as a whole.

The accompanying chart shows the presentation under nine subject headings for all the hourly paid employees. It will be noted that few favorable remarks

Chart from an Armstrong Plant Survey Report[1]



[1] Number of employees interviewed, 111; per cent of total hourly group, 34%.

were made about pay, that few *unfavorable* remarks were made about the plant and the company, and that the comments about working relationships were almost equally divided between favorable and unfavorable. Also, it will be noted that well over half the employees spontaneously volunteered comments in two of the nine areas.[1]

Perhaps the most significant observation that could be made from the chart is that a preponderance of the comments are on the unfavorable side. This needs explaining. Armstrong's management does not think that its ship is about to hit the rocks. Rather, it reasons that employees, given the opportunity to sound off, will naturally talk about things that they would like to see changed. And this is what Armstrong wants to hear about because its principal reason for making surveys is to discover ways to improve operations.

The charts that are based on large numbers of cases are less valuable, of course, in pinpointing specific trouble areas than those made from a smaller number of cases representing particular groupings of employees. And, of course, valuable suggestions sometimes come from single interviews.

It is Armstrong's practice to get the report of findings back to the plant at the earliest possible moment. This usually is done no later than two or three weeks after the final interview has been made. "This is the sort of thing that cools off fast," a company spokesman said, "and everything is to be gained by striking while the iron is hot."

The report is submitted to the plant manager and to no one else. Of course, he is free to show it to others. He likely will show it to his superior (the production manager) and to his key associates at the plant. Also, it is very probable that he will show and discuss parts of it with his division heads and supervisors.

The report made up by the interviewers will contain the charts, excerpts from the employee's interviews and some observations and recommendations. The interviewers will have gained *impressions* of situations that apparently merit attention, but they are quick to point out that these are impressions and nothing more. They disclaim any ability to *interpret* the findings, arguing that only the plant manager and his staff can do this since they are the only ones in possession of all the pertinent facts.

Evaluating the Approach

After trying a variety of other survey approaches, the company describes the present one as "a vastly improved method." The method's big advantage, according to Armstrong, is that it reveals not only *what* the employees' attitudes are and what the situation is but *why*.

Trends are quickly noted as the comments of the employees are found to cluster around certain subjects. Plant management can assess the importance and urgency of the survey findings by checking them against other reports and indicators that are available.

If it appears that the employees' comments are well founded, then corrective action can be undertaken promptly. Thus, the period between the survey and the follow-up may be shortened materially.

In making an over-all appraisal of the open-end survey method, an Armstrong plant manager who has used this survey approach said the following:

"Following a major plant expansion, we sensed unrest among the employees in a large, new department. There were certain antagonisms between employees in this department and the other departments of the plant and also between groups of employees within the new department. There also seemed to be a lack of respect for authority, a lack of pride in accomplishment, and a lack of company loyalty.

"We thought we knew some of the causes of the unrest, but we were quite certain that we didn't know all of them. Neither did we know the relative importance of the various causes.

"The survey helped us pinpoint the causes of unrest, and the issues became clearer and their relative importance more readily apparent. The employees themselves gained understanding by virtue of the fact that they gave expression to their thoughts during this survey.

"By prompt corrective action most of the minor criticisms are no longer issues. The most important issue, a criticism concerning the scheduling and placing of employees in this new department for promotional opportunities, is currently under study for correction."

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[1] Armstrong is aware of the hazards always involved when interview data are quantified. Here it believes its procedure gives a general picture of findings but not one of mathematical accuracy.

Management Bookshelf

Comparative Studies in Administration—Administration is examined in its widest possible sense in this anthology. Included are articles touching on business, education, government, the military and the medical profession among others. Effects of organization, environment and variation in process are considered. Areas for future research are indicated. *Edited by James D. Thompson, Peter D. Hammond, Robert W. Hawkes, Buford H. Junker, and Arthur Tuden, University of Pittsburgh Press, Pittsburgh, Pennsylvania, 1959, 224 pp., $3.95.*

Changing Fashions in Economic Education

Newsletters and employee publications are among the media that have replaced formal in-plant courses as vehicles for corporate economic education

IN THE DECADE from the end of World War II to 1955 economic education for management and employees was a "hot" subject. Writers and speakers stressed it; conferences discussed it; and companies hastened to introduce it. Today things are different. Enthusiasm has given way to a sober reassessment of alternative possibilities. Programs have been revamped and in some cases abandoned altogether.

In order to understand the shifting fortunes of corporate economic education, it may be helpful to examine some of the motives that originally stirred companies into action.

POSTWAR ATTITUDES

Immediately after World War II some managements felt that labor unions were making demands which would price the company out of existence and the worker out of a job. Many companies concluded that the worker did not understand how free enterprise operated. It seemed clear that additional knowledge of our business system was needed and might result in more moderate bargaining demands.

In addition, segments of big business felt themselves under attack and reached for economic education as one way to justify themselves to employees and the public generally—to take the heat off bigness as an evil in itself. Others hoped that a common understanding of economics and the operation of free enterprise might bring better rapport between labor and management.

Perhaps the most impelling reason behind the drive for economic education was business' concern about foreign ideologies. After the war, it looked to management as though the more radical a proposal was, the more likely it was to have the support of organized labor. There was much apprehension lest capitalism be lost by default. Communism and socialism seemed to many to be a serious threat. There was much of the feeling that "We're in a fight."

In-Plant Courses

In this period the need for economic education found expression primarily through in-plant discussion courses conducted during working hours. From 1945 to 1955 a number of firms instituted such courses. Some of them were canned programs; others were tailor made for the individual company.

The content of the courses varied widely but, in general, the major emphasis was on the operation of free enterprise. "How Our Business System Operates" (HOBSO) was perhaps the most publicized and best known of these courses.

SOME DISSENTING VOICES

While many were beating the drum for economic education, others were less than enthusiastic. These people viewed the need for such education as chiefly wishful thinking on the part of management. There was, in their opinion, no real dollars-and-cents return possible from the time and expense devoted to such activities.

Others pointed out that the average employee was strong in his Americanism and that the courses, insofar as they assumed the worker was socialist oriented, constituted an indignity.

Education or Propaganda?

Unfortunately some courses were subject to criticism because they were prepared by residents of ivory towers who wrote the answers without listening to the questions. And other programs, it was known, were sparked only by the decree of a top executive who wanted to get action on some pet idea of his own.

Although such conditions might be normally expected in a period of trial and error, they left the program open to the charge of being thinly disguised management propaganda. Management, it was argued, was more interested in giving economic conclusions than in giving economic education. Of course, the nature of the course was not always the cause of the dispute. In some companies, the antagonism between management and labor was such that the most unbiased presentation would have been suspect and, therefore, ineffective.

The last accusation is perhaps the most serious and, therefore, it is often made off the record. The state-

ment is heard that business and industry emphasized economic education purely and simply in an effort to get the Republican party elected to the White House. It has been pointed out that it may be more than coincidence that interest and enthusiasm for programs of economic education began to wane after the Republican victory of 1952.

If the election of a particular political party were really the aim of programs of economic education, it might be claimed that they were extremely effective. But it is still impossible to assess their effectiveness in this regard since no connection between such programs and the Republican success has been proven.

THE NEW LOOK

Since 1955, management has become increasingly disenchanted with the course approach. In many cases the courses' objectives were so broadly stated and the results were so vague that an objective evaluation was impossible. While there are many subjective statements indicating the possible value of such programs, the attitude of many companies today is that they have not found the play worth the candle.

In retrospect, then, the critics of economic education seem to have been right—at least in so far as formal classroom programs are concerned. However, what the critics may not have foreseen is that the experience which business and industry derived from these programs has now resulted in a more realistic estimate of the need for economic education. Along with this new evaluation of need, methods and media have been chosen that are simpler and more practical. Today the economic message is more often connected with the everyday experiences of workers in factory and office. Moreover it tends to be woven into other communication and training activities where it fits and makes better sense.

Recently, The Conference Board queried twenty-five Associates in an attempt to get some idea as to what is happening in 1960 with regard to economic education. Those questioned were companies whose record indicated relatively extensive interest in this subject over the past years. These firms now report the use of a variety of activities which they feel are more effective and more economical than the traditional in-plant course programs.

Annual Meetings

Some companies use an annual meeting at which the company operations and finances are reported much as they are at the regular stockholders meeting. For some years one company has conducted a jobholders annual meeting where the employees may hear the same report that management makes to the stockholders. The company solicits penetrating questions at these meetings and prides itself on giving frank answers. Many questions are written in advance by jobholders and placed in a sealed box to be answered during the meeting.

Some illustrative questions that have been asked are "How is the company doing in Europe?" or "I see here [in the annual report] all our patents and good will are worth only one dollar. How come this small figure?" "Why is the company able to pay a 2% stock dividend (which amounts to approximately 25,000 shares of stock) to the stockholders and yet only permit the employees to subscribe to about 6,000 shares under our stock purchase plan?"

Another company holds what they call an "employees' financial meeting" once each year. At this time the annual report is reviewed and questions about the year's operations are answered. This occasion is also used as an opportunity to present general economic information. Still another company simply mails its financial statements to all employees.

Closely related to the stockholder type of meeting and report is the activity of one company which at least three times a year at its monthly general meetings discusses some aspect of the economic question. The approach is to explain some area of the company's business which, in turn, leads to a broader discussion of economic matters.

Newsletters and Personal Letters

Various management newsletters and letters to employees are often mentioned as one way in which the economic message is communicated.

A management newsletter keeps the supervisory force of one company current on company operations and future plans so that managers may be in a better position to answer subordinates' questions.

In a quarterly letter to all employees, for instance, a company president reported on his trip to Europe. He also attached a consolidated statement for the first nine months' business and discussed the financial health of the company. Finally he talked about the chances of merit and general wage increases and projected the outlook for the coming year.

Employee Publications

Employee publications carry a large share of the burden of the economic message. As an illustration, one organization introduces articles of an economic nature into the employee magazine nearly every issue. It finds that stories showing why customers buy the com-

pany's product furnish a lot of good basic economic background material.

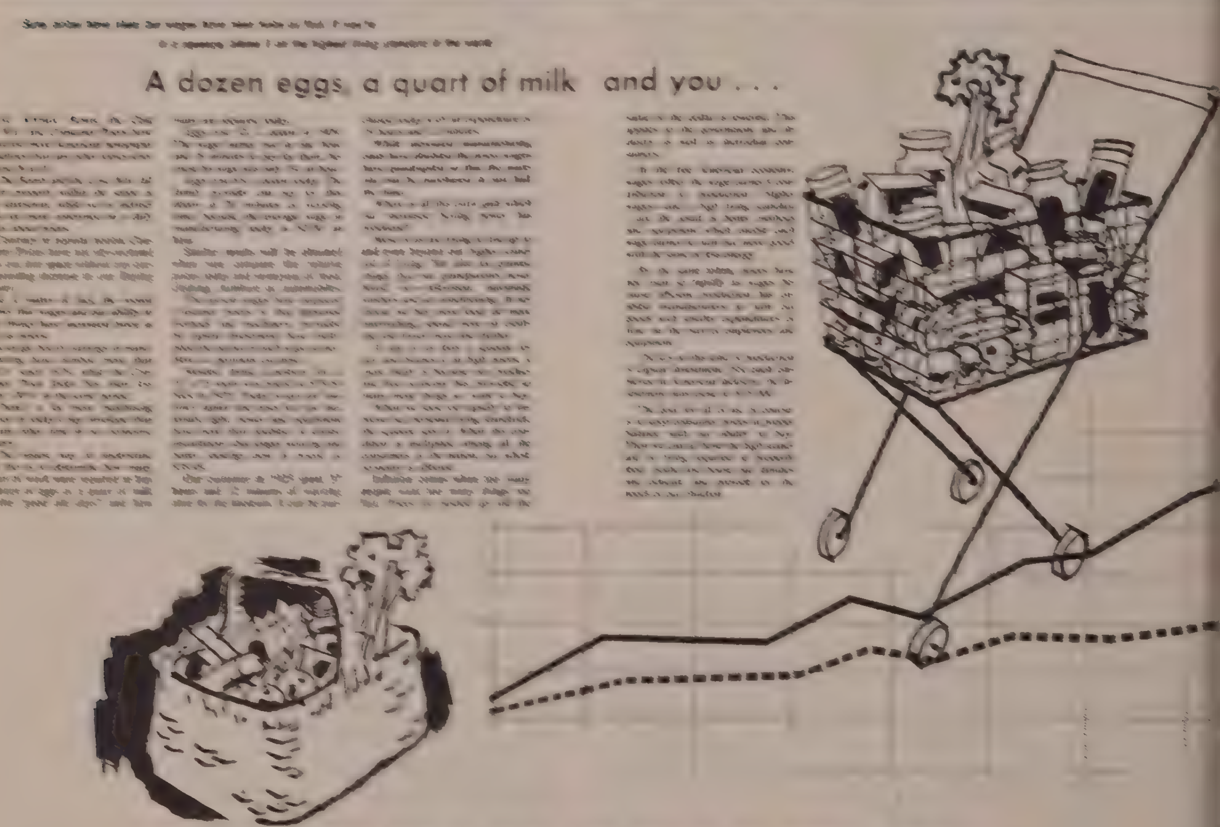
Here are some economic subjects that have been discussed in employee publications:

- Inflation
- Balancing the interests of customers, stockholders, employers, the public, government, etc.
- The difficulties of operating a business organization
- Layoffs
- Soak-the-rich taxes
- Price and wage rises
- The employee's personal battle with competition
- Profit as a spark plug
- Voluntary vs. compulsory unionism
- A five-year review of the company's profit-sharing plan

Other media used for economic education include a question and request box, reading racks, bulletin boards, and poster campaigns.

Modified Courses

Together with these general communications media, companies are still using courses and meetings to some extent. In many instances the courses have been modified, made more specific, and incorporated as a part of supervisory indoctrination programs.


A dozen eggs, a quart of milk and you . . .

This excerpt from the March 1957 issue of the Armstrong Reporter shows how employee publications can be used for economic education.

One company conducts two courses. One is for those men at or near the board-of-directors level. This is a program prepared and conducted by a university about once every two years. It is expected that this course will help to give the executive group a better recognition and evaluation of the economic relations of their various functions and a better understanding of the economic forces that influence industry today.

The second course is for all other employees and is designed to give them a surer grasp of the economic system and its effect on life in an industrial community.

One organization reports it has found that "How Our Business System Operates" is still the most practical and understandable for a general industrial group. But even here, the program is augmented with details relating to the growth of the company to further illustrate the working of basic economic principles. The program has been presented to all hourly and salaried personnel and continues to be conducted when enough new employees have been hired to make up a class.

Another company began a course in economic education in 1952 for the specific purpose of management development. At first the course was designed for broad general economic education. Later the content was changed to business economics; and for the last few years it has been made into a program of cost control and its relations to profits and investments. The program is now repeated yearly as part of the indoctrination for new supervisors.

One firm that provides a one-day course called "Let's Talk About the Business" for vocational employees of all departments has a five-day course in financial management for third- and fourth-level managers. The company is planning a third course for first- and second-level executives.

An attempt is made by some firms to apply economic education to current problems. As an example, one company says that during contract negotiations at one of its plants last year it made the importance of profits the subject of employee meetings. At other such times the company has discussed competition, the place of the stockholder, consumer, etc.

In another company a proposed economic education program is being modified to include an effective citizenship program. Despite recent modifications, a number of companies still find little concrete evidence of the value of such courses.

One respondent reports that his company became disenchanted with its formal program of economic education because it was found that women in general (60% of the work force) were not interested. Then, too, the same material was unsuitable for both rank-and-file and management groups. In short these courses were found to be "unwarrantably expensive."

Another says: "At this time we are in the process of reappraising our whole approach to corporate training and this sort of specific program. In our discussions the feeling is that somehow or other most of these programs have not 'hit the spot' in any effective way. Practically everyone is uncomfortable with the approach to date, and we do not think that any 'canned' or purchased program will be of much value."

A firm that discontinued its courses remarked: "The program was allowed to lapse because our appraisal and evaluation did not indicate that any desirable results were being obtained. Many of our executives believe that this kind of activity is fruitless."

Of course, one can scarcely draw any hard and fast conclusions from the twenty-five companies in the survey. However it seems reasonable to suggest that while formal courses still continue, the future of corporate economic education is more likely to depend on the imaginative utilization of other communications media.

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Management Bookshelf

Men Who Manage—Fusions of Feeling and Theory in Administration—In industry, argues the author, things are seldom what they seem. This disturbs some managers. Others revel in it. This gap between the official and unofficial, and the managerial response to each, is what concerns the author, a working sociologist.

In its conclusion the book "eventually generalizes on compromise between two types of managers. . . . On the one hand are the systematizers and routinizers to whom method and procedure are paramount. On the other hand are the adapters and reorganizers who stress ends over means. The first cling to the official as their protection . . . the second depart and innovate as they think wise. . . ."

Speaking to those who feel that social pressures are turning businessmen into conforming "organization" men, the author points to the innovators, who use conformity as a cloak rather than as a straitjacket. "Those who mistake surface conformity in organizations for total conformity and the death of originality should refocus to concern themselves with the ethics of protective coloration among thinking animals." *By Melville Dalton, John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, New York, 1959, 318 pp., $6.75.*

Briefs on

PERSONNEL PRACTICES

Outside Business Interests of Key Personnel

Companies often permit their executives and key employees to have outside business interests, but restrictions are usually placed on the extent and kind of outside interests that are permitted. Such restrictions, most frequently aimed at eliminating conflicts of interest, will be discussed in an article in the November issue of *The Business Record*. The article, based on the experience of 193 companies participating in THE CONFERENCE BOARD'S Monthly Survey of Business Opinion and Experience, will feature examples of policy statements dealing with outside business activities and conflicts of interest. It will also contain samples of the disclosure questionnaires that some companies send to their key employees.

Other points covered in the survey include:

- Company attitudes toward employee investment in supplier companies
- Company attitudes toward the pursuit of private practice by professional employees
- Methods used to reduce possible conflicts of interest

Fringe Costs Rise Again

The annual cost per employee of the average fringe benefit program has topped the thousand-dollar mark. It was only $418 in 1947, when the United States Chamber of Commerce launched its biennial surveys of what companies pay for fringes; but it has been rising steadily ever since. By 1957, it was up to $981. In 1959, according to the findings of the chamber's latest survey, it reached four figures for the first time, climbing to a yearly average of $1,132. This amounts to 54.8 cents per payroll hour or 22.8% of the total payroll of the 1,064 companies that participated in the 1959 survey.

No definite relationship was found between the size of the company and the size of its fringe costs. Payments for fringes made by individual companies ranged all the way from 6% to 60% of payroll. Pension payments averaging 4.3% of payroll were reported by 86% of the participants. Almost all the companies (98%) reported payments for employee insurance programs; company contributions for this purpose averaged 2.3% of payroll. Other average payments included 2.4% of payroll for time off with pay on the job (lunch periods, rest periods, wash time, and the like) and 7.2% of payroll for time off with pay away from the job (4% for vacations, 2.3% for holidays, and the rest for paid military service, jury time, voting time, and personal reasons).

Full findings of the latest chamber survey are reported in "Fringe Benefits: 1959," a thirty-six-page booklet that can be obtained from the Economic Research Department of the United States Chamber of Commerce, 1615 H Street N.W., Washington 6, D. C. The price per copy is $1 for one to four copies, 75 cents for five to forty-nine copies, and 50 cents for fifty copies or more.

State Laws on Voting Time

The following twenty-nine states have enacted laws that permit employees to take time from work for the purpose of voting:

Alabama	Kansas	Ohio
Alaska	Kentucky	Oklahoma
Arizona	Maryland	South Dakota
Arkansas	Massachusetts	Tennessee
California	Minnesota	Texas
Colorado	Missouri	Utah
Hawaii	Nebraska	West Virginia
Illinois	Nevada	Wisconsin
Indiana	New Mexico	Wyoming
Iowa	New York	

What the laws of these states require is explained in detail in "Time Off for Voting under State Laws," a pamphlet (Bulletin No. 138—1960 Revision) that can be obtained free of charge from the Bureau of Labor Statistics' office at 341 Ninth Avenue, New York City.

The laws of all but four of the twenty-nine states apply to all workers and to most types of elections. As a rule, any employee entitled to vote in an election is allowed to be absent from one to four hours, but the time of the absence may be designated by the employer. Seventeen of the states expressly prohibit the employer from making wage deductions for authorized

voting absences. All but two of the states (Alabama and Nebraska) provide penalties for violations of the time-off-for-voting laws.

In recent years, the BLS reports, there has been a trend toward permitting time off only if the employee does not have sufficient time to vote outside working hours. (See "Voting Time Law Revised," *Management Record*, July-August, 1960, p. 34.)

Art for Business' Sake

The arts are making headway in the business world. Music, of course, has been used for years in factories and other work areas to boost morale and increase productivity. Now, painting is winning popularity. A number of English firms, the Industrial Welfare Society of London reports, are making wide use of the works of both traditional and modern artists in management training. The objective is to help develop a critical faculty essential to the good administrator.

Paintings, either purchased or rented, are being hung in offices and recreation rooms. Most of the purchased pictures are reproductions, but a few companies buy originals. The John Lewis Partnership does so. It also encourages its staff to take an interest in art outside office hours and sponsors a sketching club. The companies renting original paintings pay only a few shillings a month and can change the pictures from time to time.

Other firms buy or rent reproductions from art galleries or commercial concerns and circulate them among the staff. There are two renting plans currently in operation. One, in which the emphasis is on modern works of art, supplies companies with a set of ten pictures every six months at an annual cost of eleven guineas ($32.34). The other, which favors the old masters, lends companies a set of five pictures every three months at an annual cost of thirty guineas ($88.20). A small percentage of the pictures furnished in this latter plan are original paintings by contemporary artists. The subscribing companies find that the arguments and discussions these paintings promote among the employees encourage a bent for creative thinking that carries over to their business activities.

The Conference Put to New Use

The conference has gained great popularity in the years since World War II. But its primary role has changed, during those years, from that of a training vehicle to an aid in solving operating problems. This development grew out of recognition on the part of management of a need for decentralization and delegation. With responsibility and authority resting in more hands, executives and managers at all levels found it advisable to confer more regularly with one another and with their subordinates as a means of making sounder decisions when faced by problems.

Problem-solving conferences, however, can be costly affairs and many of them fail to achieve the full potential of which the participants are really capable. These failures can result from inept handling of the conference, from holding conferences when there is no good reason for doing so, or from other causes.

Drawing on the accumulated experience of a large number of skilled conference leaders, The Conference Board undertook to review and redefine the techniques of conference leadership in terms of the newer and more effective uses. Its findings have just been published in "Problem-Solving Conferences," *Studies in Personnel Policy*, No. 176.

New Maximums for Suggestion Awards

In some suggestion plans, no maximum is placed on the amount of cash the company will pay for a money-saving idea. "The sky's the limit," they say. A flat percentage of the first year's savings, no matter how much it comes to, is awarded to the suggester.

Other firms prefer to impose a maximum. They feel this gives the employee a positive target to aim for. It also makes it possible for the company to promote the plan periodically by increasing the award maximum from time to time. Recently, several companies used this technique to encourage more employees to submit suggestions. For example, an aircraft manufacturer boosted its top award from $1,000 to $2,000. In one instance, a machinery manufacturer raised the ceiling on what it is willing to pay for any idea that cuts the cost of labor, materials, or overhead to $50,000 (its awards are figured as 50% of first year savings less 25% of the cost of putting the idea to work).

The award maximum of a transportation equipment company was doubled from $3,000 to $6,000 "in recognition of the improved quality of suggestions being submitted by employees." Another company has offered to pay as high as $25,000 for money-saving suggestions. Its awards are based on 25% of net savings for one year, and the payment of any award topping $250 is made in two installments—50% of estimated savings when the suggestion is put into effect, and the balance after actual savings have been evaluated at the year's end—so that the suggester can spread the income tax due on the award over a two-year period.

Labor Press Highlights

Oil Workers Willing To Negotiate Work Rules

"WHENEVER labor demands rigid maintenance of outdated work rules . . . it will surely lose . . . for whatever is grossly impractical cannot endure forever." This statement appeared not in a management periodical but in a recent issue of *Union News,* semimonthly publication of the 180,000-member Oil, Chemical and Atomic Workers International Union.

But, continues the article, unions cannot be expected to accede to the removal of contract clauses where the effect would be to hand over to management "unlimited" power "to make vast changes." Such concessions, adds the union periodical, would destroy the value of the entire contract. Even a job classification with a negotiated wage rate of $3 an hour would be meaningless when "management can move the man out of that job."

However, changes in work practices, states OCAW President O. A. Knight can be accomplished through negotiation without strikes, provided:

- Management "puts its job changes and work rules before the appropriate negotiation committees."
- Management "seeks only specific, clearly described changes."
- Union committees "recognize that some changes are necessary and accept those that will place no undue hardships on anyone."

Mutually satisfactory agreements on new work rules, continues Mr. Knight, have already been reached in many instances. Usually this occurred where the company had discussed the proposed changes with the union in advance, where management had refrained from public speeches on its "right to manage," and where it had offered wage raises or improvements at the same time, states the union leader.

Shorter Workweek Urged by Labor

Faced with mounting concern by union members over automation and unemployment, a number of labor leaders have been pressing the demand for a shorter workweek as a possible solution.

David J. McDonald, president of the one million-member United Steelworkers, calls upon Congress to secure through legislation a mandatory thirty- or thirty-two hour workweek, notes *Steel Labor.* In the Thirties, through the efforts of the New Deal, Congress passed legislation promoting the forty-hour workweek, Mr. McDonald recalls. Once again, the steel union president says, there is a need for handling the "problem of the shorter workweek . . . collectively through government." In support of his position, the labor leader asserts that "if our industries (would) employ more people thirty hours a week . . . and keep up their programs of modernization and automation, America will be stronger than if we permit the current drift toward unemployment, declining incomes, depressed business communities, and low morale."

The United Electrical, Radio and Machine Workers, ind., is attempting to establish a shorter workweek through collective bargaining. UE's principal proposal for the fall negotiations with General Electric and the Westinghouse Corporation is that "the standard workweek be reduced to thirty-five hours, with no reduction in weekly take-home pay," says *UE News.*

Organizing Goals Mapped by IAM

With the decline in the number of production workers, the International Association of Machinists views the organization of white collar workers as the key to increasing its membership, says *The Machinist.* Union membership, IAM officials pointed out at a recent convention, now stands at 904,000—"about the same . . . as reported to the last convention in 1956"—even though the IAM won "nearly 1,000 NLRB elections (covering more than 64,000 workers)" since 1956.

Consistent with its new emphasis, the union is making efforts to organize "technical and office employees" and "to successfully integrate these workers into existing lodges." Fortunately, adds the union periodical, a firm basis for such future organization exists in the "sizable core of technical and office workers organized in some of the larger aircraft plants."

Some "150,000 to 200,000" nonunion workers who "enjoy the benefits" of IAM contracts and those "eligible for membership who work in government,

trade, and service" will also be targets for union organization.

Annual Improvement Factor to Net Auto Workers $120 Million

This coming year, reports *Eastern Solidarity*, official publication of the United Auto Workers, increases from the annual improvement factor clause in the contract will put an additional $120 million into the pockets of UAW members.

During September and October, workers will receive an increase of 6 cents per hour, or 2.5% of their hourly wage, whichever amount is greater. Under the contract, the maximum increment is 10 cents per hour. The annual improvement factor, continues the union periodical, was first negotiated in 1948. During the first year of its operation, the workers received an increase of 3 cents per hour.

Over the twelve intervening years hourly increases from this clause have totaled 64 cents for a million UAW workers, estimates the union.

Expanded Social Security Coverage Forecast by AFL-CIO

What benefits will Social Security bring to its recipients in 1985? Nelson Cruikshank, director of the AFL-CIO's Department of Social Security, attempts to answer this in an article appearing in the AFL-CIO monthly, *The American Federationist.*

By 1985, a retiree will receive benefits from the Old Age and Survivors' Insurance, predicts Mr. Cruikshank, that will amount to 60% of his former wage. A retired couple will receive monthly benefits of $550, based on a projected "average" weekly income of $200.

During the next quarter of a century, Mr. Cruikshank foresees that benefits paid out in unemployment compensation, medical aid, and workmen's compensation might well be administered as part of the Social Security program.

Unemployment compensation, the AFL-CIO official believes, will be combined with a nationwide temporary disability benefits program for those unemployed who are willing to work and for those who are unable to work because of illness or injury. Weekly benefits, he projects, will be fixed at 65% to 75% of the individual's wage loss. Unemployed workers over fifty-five will receive benefits as long as they are "available for work." In times of emergency, adds Mr. Cruikshank, an economic commission will extend the duration of benefits for all unemployed.

Medical care for retirees will be covered by Social Security "at the latest by 1962," forecasts the AFL-CIO official. Furthermore, this medical aid, he continues, might be extended to cover workers during their productive years if "organized medicine and the insurance industry persist in their present indifference to the public need."

Workmen's compensation will remain outside the "national social insurance plan" if it extends its coverage to all workers whose injuries arise out of their employment, whether by accident or disease, if the proportion of the benefit to the worker's wage is raised, and if the payment is extended to the worker "as a matter of right."

In addition, Mr. Cruikshank states that public assistance will continue to remain an "important second line of defense against economic insecurity." Continued federal aid to public assistance programs, he adds, should be conditioned upon the states' removing the residence eligibility requirement.

BRT Sues Railroads on Strike Insurance[1]

As an aftermath to the recently concluded twenty-six day strike against the Long Island Railroad, the Brotherhood of Railroad Trainmen has instituted an antitrust suit against the LIRR, thirty-two other carriers, the Association of American Railroads, and an insurance company. The union seeks triple damages totaling $10 million. Violation of the antitrust law, claims the union, stems from the defendants' participation in a strike insurance plan.

William Kennedy, BRT president, summarizes the union's viewpoint by noting that the strike insurance plan was actually a "pooling of resources" by the railroads. Mr. Kennedy claims that the insurance company is a foreign dummy corporation that does not sell any other insurance and has no clients other than these railroads. The pact, charges the union president, is designed by the companies "to support each other in a deal that extends beyond the actual date of the policy."

The use of this insurance, predicts Mr. Kennedy, will "promote long strikes." For railroads are not inclined to bargain collectively, he states, "when they have this income coming in under the laws of a foreign land." Furthermore, if other industries adopt such a plan, continued Mr. Kennedy, labor might discover that "the only effective strike" is the "general strike where the whole economy is paralyzed in one massive move."

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[1] For other developments in the area of mutual strike aid, see p. 11.

Executive Pensions

(Continued from page 7)

fact that the average company in some industries is larger than the average in others. Of course, the sample is not large enough to compare the pension for companies of the same size in each industry. But differences in the pension benefit in companies of different size can be computed for the manufacturing companies as a group.

The results of this analysis are shown in Chart 1 (see page 3). It will be noted that the median pension of each of the three executives is considerably larger in the largest companies than in the smallest; the medians increase as size of company increases. It is apparent, too, that the median pension of the top man is higher than that of the second executive whose pension is higher than that of the third officer in every size group. This was true in each industry, as well (see Table 4). This variation among the three men apparently is the result of salary not status differences. As Chart 2 (see page 6) indicates, the executives whose earnings are about the same tend to average about the same pension whether they are the chief executives or either of his two subordinates.

And, of course, the dollar pension increases as salary level increases from a median of \$11,000 or \$12,000 for executives earning \$30,000 to \$50,000 in 1959 to \$30,000-\$32,000 for those earning \$100,000 and over. There are too few third-highest-paid executives earning over \$100,000 to show pension benefits in this salary bracket. But 145 of the highest paid and eighty-three of the second-highest paid earned \$100,000 to \$150,000; their median pension benefit is \$30,000. For the forty-one top executives who earned \$150,000 to \$199,000, the median is \$44,000 and for the forty-two earning \$200,000 and over in 1959 the median is \$44,000.

Table 5: Estimated Pension at Sixty-five in 101 Utilities

Estimated Pension at 65	Highest	Second Highest	Third Highest
		No. of Companies	
Under \$5,000	..	2	2
5-9,000	9	14	16
10-14,000	16	21	32
15-19,000	17	21	23
20-24,000	14	17	6
25-29,000	17	7	5
30-34,000	10	10	4
35-39,000	8	3	1
40,000 and over	9	..	..
Total companies[1]	100	95	89
Median pension	\$21,000	\$16,000	\$13,000
High of mid 50%	30,000	22,000	18,000
Low of mid 50%	15,000	12,000	10,000

[1] May not equal 101 because data are not available for some executives.

GAS AND ELECTRIC UTILITIES

Pension estimates for at least one of the three highest-paid executives were available for 101 gas and electric utilities. This group includes practically all such utilities listed on the New York Stock Exchange, and another ten from the American Stock Exchange. The average company in the group had an operating revenue of about \$73 million during 1959.

Table 5 shows the distribution of the estimated pensions at age sixty-five for the top three executives in this industry (as represented by companies on the New York Stock Exchange). As of 1959, the chief executive in these companies could expect a pension of \$21,000 at sixty-five—110% larger than the \$10,000 average estimate in 1949.[1] The 1959 average pension benefit of \$16,000 for the second-highest paid is 60% larger than the \$10,000 benefit of his counterpart in 1949. The median benefit for the third executive increased some 44%, from \$9,000 in 1949 to \$13,000 in 1959.

Table 6: Estimated Pension at Sixty-five as Per Cent of 1959 Salary in 101 Utilities

Pension as Per Cent of 1959 Salary	Highest Paid	Second Highest	Third Highest
		No. of Companies	
5%-9%	2	..	
10-14	3	3	1
15-19	7	4	4
20-24	12	2	4
25-29	25	14	8
30-34	13	22	24
35-39	11	18	14
40-44	13	16	17
45-49	5	11	6
50 and over	9	5	11
Total companies[1]	100	95	89
Median pension	30%	36%	38%
High of mid 50%	40%	41%	43%
Low of mid 50%	45%	30%	31%

[1] May not equal 101 because data are not available for some executives.

This increase in the absolute size of the pension benefit since 1949 is only partly explained by the fact that salary levels were considerably lower a decade ago. There has been an increase in top pensions in-

[1] The estimates for 1949 are based on data from fifty-two gas and electric utilities.

Table 7: Estimated Pension at Sixty-five in Ninety-two Financial Institutions

Estimated Pension at 65	Highest	Second Highest	Third Highest
	No. of Companies		
Under $5,000	...	1	1
5-9,000	6	8	13
10-14,000	7	22	24
15-19,000	16	21	25
20-24,000	14	15	10
25-29,000	10	7	7
30-34,000	13	5	1
35-39,000	8	1	3
40-44,000	3	1	..
45-49,000	..	2	2
50-54,000	2	..	..
55,000 and over	8	3	1
Total companies[1]	87	86	87
Median pension	$25,000	$17,000	$15,000
High of mid 50%	34,000	24,000	21,000
Low of mid 50%	18,000	12,000	11,000

[1] May not equal 92 because data are not available for some executives.

dependent of salary increases; that is, the pension as a per cent of current salary also has risen appreciably. For example, Table 6 indicates that the pension estimate in 1959 represented, on the average, 30% of the current salary of the highest-paid executives; the 1949 median was only 20% of current salary. Similarly, for the second-highest paid the 1949 estimate was only 26% of salary; in 1959, it was 36%. The third-highest paid could expect 22% of his 1949 salary at sixty-five; as of 1959, he could expect 38% of salary.[1]

The larger utilities (measured by operating revenue in 1959) provide larger absolute pensions for the top three executives than the smaller utilities. This is illustrated below by the comparison of the median pension for each of the three executives in companies of four different sizes.

Operating Revenue in Millions of Dollars, 1959	Highest Paid	Second Highest	Third Highest
$200	$34,000 (27%)	$28,000 (36%)	$22,000 (40%)
100-199	25,000 (28%)	20,000 (36%)	15,000 (33%)
50-99	24,000 (33%)	13,000 (32%)	11,000 (32%)
50	14,000 (32%)	12,000 (34%)	10,000 (38%)

On the other hand, as a per cent of salary, the pension is about the same regardless of the size of the company. This is shown by the percentages in parentheses, the median pensions as a per cent of 1959 salary.

Of course, the fact that the highest-paid executive receives a larger dollar pension benefit than the second man, who, in turn, receives more than the third-highest paid, is partly a reflection of the differences in the salary levels of these three executives. Similarly, the tendency for the executives in the smaller companies to get smaller benefits than their counterparts in the larger companies also reflects salary differences: the average salary is larger in the bigger companies. The tabulation below shows the median pension estimate for executives in six salary brackets in dollars and as a per cent of 1959 salary. In order to get a large enough number of cases, the pensions for the three top executives have been combined in each salary group.

1959 Salary	Number of Executives	Pension at 65	Pension as % of Salary
$30,000-$39,999	55	$12,000	34%
40,000- 49,999	56	16,000	35%
50,000- 59,999	41	19,000	37%
60,000- 74,999	37	24,000	34%
75,000- 99,999	43	27,000	33%
100,000-125,000	20	34,000	24%

It will be noted that the dollar benefit increases as salary increases. But, as a per cent of salary, the pensions do not differ greatly, except that the pension of those earning $100,000 or more is much smaller.

FINANCE

This analysis of the pension benefits of the top three executives in financial institutions is based on data for ninety-two companies: forty-four insurance underwriters, twenty-nine banks, and nineteen finance companies. The nineteen companies outside of banking and insurance represent somewhat better than half of the "other finance" companies listed on the New York Stock Exchange. Data for banks and insurance underwriters are from those companies who replied to a special survey of essentially the one hundred largest banks and the one hundred largest insurance underwriters.

The median pension of $25,000 for the chief executive shown in Table 7 represents an increase of 93% over the 1949 estimate of $13,000 for a comparable group of companies.[1] In 1949, the second and third man could expect a $10,000 pension at sixty-five; thus the 1959 estimates of $17,000 for the second-highest paid and $15,000 for the third man constitute a 70% and a 50% increase, respectively.

The per cent of current salary that the pension estimate represents also has increased appreciably since 1959. For example, Table 8 indicates that in 1959 the chief executive could expect a pension at

[1] It will be noted that the chief executive could expect a smaller per cent (30%) of 1959 salary in a pension than the other two executives (36% and 38%). This is because a larger proportion of the top men are in salary brackets affected by the absolute dollar limits put on pension benefits by some companies.

[1] The 1949 figures were based on data for twenty-nine insurance companies and fourteen other finance companies. No banks were included. Exclusion of the banks from the 1959 sample does not change the medians shown in Tables 7 and 8.

sixty-five that, on the average, represented 33% of his 1959 salary; in 1949, the pension represented only 23% of current salary. For the second-highest paid, the 1949 pension estimate was 21% of salary; in 1959, 39%. The third man could expect 33% of current salary at sixty-five in 1949; in 1959 he could expect 40% of his 1959 salary.

As in other industries, the absolute amount of the pension estimate in 1959 increases as salary increases for the three top executives. By and large, however, the pension as a per cent of 1959 salary is about the same, regardless of salary. This is shown below for executives in six salary brackets.

- For the fifty-two executives whose 1959 salary was $30,000 to $40,000, the median pension estimate is $15,000. This is about 44% of salary.
- For the forty-five executives earning $40,000 to $50,000 the median also is $15,000. This averages about 35% of 1959 salary.
- For the thirty-five executives earning $50,000 to $60,000 in 1959, the median pension is $21,000. This benefit is 34% of salary.
- For the twenty-nine executives whose 1959 salary was $60,000 to $75,000 the median pension is $24,000. This is about 35% of salary.
- For the thirty-six executives earning $75,000 to $100,000, the median pension is $28,000, about 34% of salary.
- For the twenty-two executives whose 1959 salary was $100,000 to $125,000 the estimated pension averages $34,000, about 34% of salary.

RAIL AND AIR TRANSPORTATION

Pension estimates were available for at least one of the three highest-paid executives in forty-seven transportation companies (thirteen airlines and thirty-four railroads). This group includes practically all of the airlines and railroads listed on the New York Stock Exchange.

Table 9 shows the estimated pension at sixty-five for the three top executives in the forty-seven companies. Although the number of companies is too small for detailed comparison, the airlines in the sample generally provide a smaller pension than the railroads. Thus, the median pension for the top man in the airlines is $15,000, as compared with $24,000 for the railroads. The second man averages $11,000 in the airlines, $20,000 in the railroads; the third man, $12,000 and $16,000, respectively.

Similar differences are apparent if the pension estimate is considered as a percentage of 1959 salary. The distribution for the airlines and railroads combined is shown in Table 10. Not shown is the fact that the median percentage for the top man is 23% in the airlines in the sample and 32% for the railroads. For the second man the respective percentages are 26% and 40%. But the median percentage is 38% for the third-highest paid in both the airlines and the railroads.

As in the other major industry groups, the pension for the three top executives has increased since 1949, both in absolute dollar amounts and as a percentage of current salary.[1] As of 1949, the median pension at age sixty-five was estimated at $10,000 for each of the three executives. The median pension of $24,000 for the chief executive in 1959 represents an increase of 140%; the 1959 median of $17,000 for the second executive is an increase of 70%; and the 1959 median of $15,000 for the third-highest paid is an increase of 50%.

The pension as a per cent of current salary has also increased appreciably since 1949, indicating that the increases in the dollar benefit reflect more than salary increases over the decade. The pension of the chief executive averaged 29% of current salary in 1959, but only 20% in 1949. For the second-highest paid, the 1949 pension was only 31% of salary; the 1959 estimate, 39% of salary. The third man could expect 28% of his 1949 salary at sixty-five; as of 1959, he could expect 38% of his salary.

The number of companies in the sample is too small to show how pensions vary from small to large

[1] The 1949 calculations are based on nineteen companies which include a few companies outside rail and air transportation.

Table 8: Estimated Pension at Sixty-five as a Per Cent of 1959 Salary in Ninety-two Financial Institutions

Pension as a Per Cent of 1959 Salary	Highest Paid	Second Highest	Third Highest
	No. of Companies		
5%-9%	1	1	..
10-14	3	3	5
15-19	9	3	1
20-24	11	4	4
25-29	8	8	9
30-34	12	16	10
35-39	11	8	12
40-44	8	11	9
45-49	11	13	12
50-54	5	6	12
55-59	6	5	5
60 and over	1	8	8
Total companies[1]	87	86	87
Median pension	33%	39%	40%
High of mid 50%	45%	48%	50%
Low of mid 50%	23%	30%	31%

[1] May not equal 92 because data are not available for some executives.

companies in the transportation industry. Similarly, the sample is not adequate to show how pensions differ according to the salary bracket of each of the three executives. However, by assuming that salary level is the main determinant of the pension for each one of the three executives, the three can be considered as one large group and the average pension for executives in the three salary brackets can be calculated.

- For the forty-six executives whose 1959 salary was $30,000 to $50,000, the median pension estimate is $15,000 (with twenty-five of the estimates falling between $10,000 and $20,000). This represents about 38% of current salary.

- For the thirty-seven executives whose 1959 salary ranged from $50,000 to $75,000, the median pension is $20,000. This averages almost 35% of salary.

Table 9: Estimated Pension at Sixty-five in Forty-seven Rail and Air Transportation Companies

Estimated Pension at 65	Highest Paid	Second Highest	Third Highest
	No. of Companies		
Under $5,000	1	4	3
5-9,000	4	7	3
10-14,000	7	5	13
15-19,000	6	11	5
20-24,000	6	6	7
25-29,000	6	4	5
30-34,000	3	3	1
35-39,000	1	3	1
40-44,000	4	..	..
45-49,000	1	..	..
50-54,000	3	..	..
55,000 and over	4	..	..
Total companies[1]	46	43	38
Median pension	$24,000	$17,000	$15,000
High of mid 50%	$40,000	$25,000	$23,000
Low of mid 50%	$14,000	$ 9,000	$11,000

[1] May not equal 47 because data are not available for some executives.

Table 10: Estimated Pension at Sixty-five as a Per Cent of 1959 Salary in Forty-seven Rail and Air Transportation Companies

Pension as Per Cent of 1959 Salary	Highest Paid	Second Highest	Third Highest
	No. of Companies		
5%-9%	1	1	1
10-14	2	2	..
15-19	3	2	3
20-24	8	5	1
25-29	10	4	4
30-34	4	4	4
35-39	6	6	9
40-44	5	7	6
45-49	3	8	4
50 and over	4	4	6
Total companies[1]	46	43	38
Median pension	29%	39%	38%
High of mid 50%	41%	45%	46%
Low of mid 50%	23%	25%	30%

[1] May not equal 47 because data are not available for some executives.

Table 11: Estimated Pension at Sixty-five in Forty-six Retail Trade Firms

Estimated Pension at 65	Highest Paid	Highest Second	Third Highest
		No. of Companies	
Under $5,000	..	..	2
5-9,000	4	6	5
10-14,000	10	13	14
15-19,000	8	6	7
20-24,000	4	8	6
25-29,000	4	6	2
30-34,000	1	1	2
35-39,000	5	1	1
40,000 and over	5	2	1
Total companies[1]	41	42	40
Median pension	$18,000	$16,000	$14,000
High of mid 50%	36,000	23,000	23,000
Low of mid 50%	12,000	12,000	11,000

[1] May not equal 46 because data are not available for some executives.

- For the seventeen executives who earned $75,000 to $100,000 in 1959, the median pension is $31,000. This is 37% of salary.

RETAIL TRADE

The description of pension benefits in retail trade is based on information from forty-six companies, approximately 70% of the trade firms listed on the New York Stock Exchange.

Table 11 shows the estimated pension at sixty-five for the three top executives in these forty-six companies. The median pension of $18,000 for the chief executive is double the comparable median of $9,000 in 1949.[1] The median benefit of $16,000 for the second-highest paid is almost 130% more than the 1949 estimate of $7,000, and the $14,000 median for the third man represents an increase of 133% over the $6,000 median estimate in 1949.

The pension for top executives in the industry has increased noticeably since 1949 both in absolute dollars and as a percentage of total compensation. Viewed another way, the low of the middle 50% indicates that three-fourths of the highest-paid officers' pension estimates are $12,000 or more; in 1949 half of these estimates were $9,000 or less (median). This contrast is even sharper for the second and third men. The anticipated pension of the chief executive represents 22% of his 1959 earnings (see Table 12) but only 15% of his 1949 earnings. For the second-highest paid, the 1949 pension averaged 17% of current earnings; the 1959 estimate is 21%. The third man could expect 18% of his 1949 salary at age sixty-five;

[1] The 1949 calculations are based on data from forty-five companies.

as of 1959, he could expect 20% of current remuneration.[1]

The tabulation below shows the median pension estimate for 1959 in dollars and as a per cent of salary for executives in four different salary brackets. Data for the three top executives are combined; the sample is too small to allow this comparison for each of the three executives separately.

- For the fourteen executives whose 1959 total compensation was $30,000 to $50,000, the median pension estimate at sixty-five is $12,000. This benefit is almost 30% of current remuneration.
- For the twenty-nine executives earning $50,000 to $75,000 during 1959, the median pension is $15,000. This averages 22% of 1959 compensation.
- For the twenty-seven executives with $75,000 to $100,000 in salary during 1959, the median pension is $18,000. This benefit is 22% of current compensation.
- For the thirty-four executives earning $100,000 to $150,000 during 1959, the median pension estimate is $24,000. This is 20% of 1959 earnings.

[1] These percentages in both years are calculated using "total compensation" as the base. Total compensation includes incentive or bonus awards earned during the year. Thus, in both years, the percentage figure is somewhat lower than it would be if only base salary had been used in the calculation. For example, the 1959 percentage for the chief executive and the second man would be 25% rather than 22% and 21%, as shown in Table 12. The percentage for the third-highest paid would be 21% rather than 20%. This is because about twelve of the executives in each case earned a bonus award.

Table 12: Estimated Pension at Sixty-five as a Per Cent of 1959 Compensation in Forty-six Retail Trade Firms

Pension as Per Cent of Total Compensation	Highest Paid	Second Highest	Third Highest
	No. of Companies		
5%-9%	4	6	4
10-14	7	3	5
15-19	7	8	7
20-24	4	10	10
25-29	6	5	5
30-34	9	5	3
35-39	2	3	2
40-44	1	..	3
45-49	1	1	1
50 and over	..	1	..
Total companies[1]	41	42	40
Median pension	22%	21%	20%
High of mid 50%	31%	29%	29%
Low of mid 50%	12%	15%	15%

[1] May not equal 46 because data are not available for some executives.

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Management Bookshelf

Management Organization and the Computer—The book contains the proceedings of a seminar of the Graduate School of Business—University of Chicago, devoted to the impact of electronic computers on management jobs, organization and concepts, the problems that arise, and possible solutions. The first of four parts contains the views of the editors on how new informational technology will affect management jobs. The second part deals with technological developments in the computer field, and their possible future applications to business decision making. Part III offers ideas on how computers will affect organization and the role of staff people; the fourth section contains case histories of the impact of computers in five participating companies. *Edited by George P. Shulz and Thomas L. Whisler, The Free Press of Glencoe, Illinois, 1960, 257 pp., $7.50.*

The Stockholder and Employee Profit Sharing, I: In Large Department Store Chains—This book compares seven department store chains with profit-sharing plans and seven chains without profit-sharing plans according to a number of measures of financial performance over a seven-year period (1952-1958). The measures include: the ratio of net income to net worth and to net sales; earnings per employee; growth of sales and net worth; and dividends, earnings and market price of stock. The seven chains with employee profit-sharing programs as a group outperformed the nonprofit-sharing companies in each financial comparison made. *By J. J. Jehring and B. L. Metzger, Profit-Sharing Research Foundation, 1718 Sherman Avenue, Evanston, Illinois, 1960, 41 pp. $3.*

Employment Relations Research: A Summary and Appraisal—In this, the second of two books, published under the sponsorship of the Industrial Relations Research Association (the first, which appeared in 1958, was entitled "A Decade of Industrial Relations Review"), the editors have attempted to organize and collate post-World War II research in industrial relations. The authors discuss the principal problems, the techniques employed, the major findings, and the implications for further research in their areas. Among the fields surveyed are: labor dispute settlement and public policy, the history and theory of the labor movement, and technological change. *Edited by Herbert G. Heneman, Jr., Harper & Brothers, New York, New York, 1960, 226 pp., $3.50.*

Significant Labor Statistics

Item	Unit	1960							Year Ago	Percentage Change	
		Aug.	July	June	May	Apr.	Mar.	Feb.		Latest Month over Previous Month	Latest Month over Year Ago
sumer Price Index (BLS)											
ll Items	1947–1949 = 100	126.6	126.6	126.5	126.3	126.2	125.7	125.6	124.8	0	+1.4
Food	1947–1949 = 100	120.1	120.6	120.3	119.7	119.5	117.7	117.4	118.3	−0.4	+1.5
Housing	1947–1949 = 100	131.5	131.3	131.3	131.2	131.4	131.3	131.2	129.3	+0.2	+1.7
Apparel	1947–1949 = 100	109.3	109.1	108.9	108.9	108.9	108.8	108.4	108.0	+0.2	+1.2
Transportation	1947–1949 = 100	146.2	145.9	145.8	145.6	146.1	146.5	147.5	146.7	+0.2	−0.3
Medical Care	1947–1949 = 100	156.7	156.4	156.1	155.9	155.5	155.0	154.7	151.4	+0.2	+3.5
Personal Care	1947–1949 = 100	133.8	133.4	133.2	133.2	132.9	132.7	132.6	131.7	+0.3	+1.6
Reading and Recreation	1947–1949 = 100	121.9	121.6	121.1	121.4	121.1	120.9	120.6	119.1	+0.2	+2.4
Other Goods and Services	1947–1949 = 100	132.4	132.2	132.0	131.9	131.9	131.7	131.8	131.1	+0.2	+1.0
loyment Status (Census)											
Civilian labor force	thousands	72,070	72,706	73,002	70,667	69,819	68,473	68,449	70,667	−0.9	+2.0
Employed	thousands	68,282	68,689	68,579	67,208	66,159	64,267	64,520	67,241	−0.6	+1.5
Agriculture	thousands	6,454	6,885	6,856	5,837	5,393	4,565	4,619	6,357	−6.3	+1.5
Nonagricultural industries	thousands	61,828	61,805	61,722	61,371	60,765	59,702	59,901	60,884	A	+1.6
Unemployed	thousands	3,788	4,017	4,423	3,459	3,660	4,206	3,931	3,426	−5.7	+10.6
ge Earners (BLS)											
mployees in nonagricultural establishments, total	thousands	p 53,360	r 53,195	r 53,560	53,195	53,076	52,398	52,284	n.a.	+0.3	n.a.
mployees in nonagricultural establishments, without Alaska & Hawaii[1]	thousands	p 53,102	r 52,934	r 53,309	52,957	52,844	52,172	52,060	52,066	+0 3	+2.0
Manufacturing	thousands	p 16,407	r 16,251	r 16,422	16,348	16,380	16,478	16,520	16,169	+1.0	+1.5
Mining	thousands	p 680	656	r 681	677	677	666	669	639	+3.7	+6.4
Construction	thousands	p 3,157	r 3,104	r 2,977	2,830	2,590	2,312	2,389	3,107	+1.7	+1.6
Transportation and public utilities	thousands	p 3,928	r 3,937	3,942	3,924	3,917	3,900	3,887	3,922	−0.2	+0.2
Trade	thousands	p 11,572	r 11,575	r 11,637	11,543	11,620	11,325	11,329	11,360	A	+1.9
Finance	thousands	p 2,529	r 2,528	r 2,496	2,469	2,463	2,444	2,439	2,474	A	+2.2
Service	thousands	p 6,693	r 6,728	r 6,745	6,717	6,644	6,511	6,484	6,582	−0.5	+1.7
Government	thousands	p 8,136	r 8,155	r 8,409	8,449	8,553	8,536	8,343	7,813	−0.2	+4.1
roduction and related workers in mfg. employment											
All manufacturing	thousands	p 12,316	12,155	r 12,332	12,292	12,334	12,435	12,494	12,173	+1.3	+1.2
Durable	thousands	p 6,863	6,906	r 7,056	7,084	7,123	7,205	7,268	6,679	−0.6	+2.8
Nondurable	thousands	p 5,453	5,249	r 5,276	5,208	5,211	5,230	5,226	5,494	+3.9	−0.8
verage weekly hours											
All manufacturing	number	p 39.7	39.8	40.0	39.9	39.4	39.7	39.8	40.5	−0.3	−2.0
Durable	number	p 39.8	r 40.0	40.4	40.4	39.9	40.3	40.4	40.8	−0.5	−2.5
Nondurable	number	p 39.6	r 39.5	39.5	39.3	38.6	38.8	39.0	40.1	−0.3	−1.3
verage hourly earnings											
All manufacturing	dollars	p 2.27	2.29	2.29	2.29	2.28	2.29	2.29	2.19	−0.9	+3.7
Durable	dollars	p 2.43	2.44	2.45	2.44	2.44	2.45	2.45	2.35	−0.4	+3.4
Nondurable	dollars	p 2.08	r 2.09	2.08	2.07	2.06	2.06	2.05	2.00	−0.5	+4.0
verage weekly earnings											
All manufacturing	dollars	p 90.12	91.14	91.60	91.37	89.83	90.91	91.14	88.70	−1.1	+1.6
Durable	dollars	p 96.71	r 97.60	98.98	98.58	97.36	98.74	98.98	95.88	−0.9	+0.9
Nondurable	dollars	p 82.37	r 82.56	82.16	81.35	79.52	79.93	79.95	80.20	−0.2	+2.7
traight time hourly earnings (estimated)											
All manufacturing	dollars	p 2.22	2.23	2.23	2.23	2.23	2.24	2.23	2.12	−0.5	+4.7
Durable	dollars	p 2.37	2.37	2.37	2.37	2.38	2.38	2.37	2.27	0	+4.4
Nondurable	dollars	p 2.03	2.04	2.03	2.02	2.01	2.02	2.01	1.95	−0.5	+4.1
nover Rates in Manufacturing (BLS)											
eparations	per 100 employees	p 4.3	3.6	3.2	3.3	3.6	3.7	3.0	3.7	+19.4	+16.2
Quits	per 100 employees	p 1.5	1.1	1.1	1.1	1.1	1.0	1.0	1.8	+36.3	−16.7
Layoffs	per 100 employees	p 2.2	r 2.0	1.6	1.6	2.0	2.2	1.5	1.4	+10.0	+57.1
ccessions	per 100 employees	p 3.5	r 2.9	3.6	3.2	2.8	2.7	2.9	3.9	+20.7	−10.3

[1] The following eight industries also exclude Alaska and Hawaii. *p* Preliminary. *r* Revised. n.a. Not Available. A. Less than .05%.

The Airlines' Pact

(Continued from page 14)

struck carrier would direct as much as possible of its traffic to the other pact members.

This clause, said the board, was "repugnant to established antitrust principles." In addition, the board said, a traveler should make his own choice of an alternative airline, without influence from the struck carrier in behalf of a pact member.

In all other respects, the board was satisfied that the agreement was motivated by business requirements and not by the intent to monopolize. In discussing the effect of the pact on competition (a question also raised by the Department of Justice, as mentioned earlier), the board drew two conclusions. One was that, "during the limited period of a strike," competition between the pact members and other air carriers would not be affected. The other was that, as between air and surface carriers, the latter cannot be deprived of traffic which has already expressed a preference for air service.

Although the board declared itself unable to find that the pact adversely affected the mail-pay program, it left detailed treatment of the subject to a future proceeding, if subsidized air carriers should join the pact. However, it did give notice, as part of this decision, that its approval was not "a determination of the reasonableness of the financial provisions of the agreement for future rate making or other regulatory purposes under the act."

In conclusion, the board directed the pact members to report to it such matters as the following: (1) any arrangements between the members on how they decide when employee demands exceed, or are opposed to, the recommendations of a presidential emergency board, or when a strike is covered by the pact; (2) any arrangements on how they measure the increased revenues which are considered to result from the strike and the deductible direct expenses; and (3) a complete statement of the bases for each strike payment made.

The board also required from any pact member that is struck a report containing an estimate of the dollar amount of the revenues lost because of the strike and the expenses it would have incurred in earning such revenues, the strike payments received (including any tax accruals), and various details concerning the actual revenues and expenses of the strike period.

One CAB Member Dissents

The dissenting member of the board, G. Joseph Minetti, took the position that even on what he considered limited information, the airlines' agreement does damage to the processes of the Railway Labor Act and that the board should have held "an evidentiary hearing in order to explore the critical issues raised by this agreement."

He said: "Since the majority argues that this agreement must be approved in the absence of facts which affirmatively and unequivocally establish its illegality, a refusal by the majority to provide an opportunity for evidentiary development of the facts is indefensible." In his opinion, action on the agreement should have awaited more precise administrative fact-finding processes.

The Railway Labor Act, he pointed out, is an employee protection statute as well as a plan for labor peace. It promotes collective bargaining by "nullifying the imbalance in bargaining power between employer and employee, which economic concentration has produced."

He concluded that the agreement contravened the Railway Labor Act in two respects: (1) it imposes multiemployer bargaining without employee consent and (2) it substitutes economic force for the good-faith bargaining required by the statute.

Mr. Minetti's view was that the majority should have explored the "strong likelihood that the multiemployer payments to a negotiating carrier constitute the price for multiemployer representation." Compulsory multiemployer bargaining, he said, changes the relative economic strength of the parties and the hardened attitudes it produces frustrate both the machinery and the purposes of the Railway Labor Act.

He predicted that the mutual-aid pact would "aggravate" the present tendency to defer genuine collective bargaining until a work stoppage is imminent. The pact seriously impairs the collective bargaining process because "the incentives offered by the agreement" do not come into operation until the procedural steps of the Railway Labor Act have been exhausted[1] and an emergency board has issued its recommendations. The dissenting member added:

> "This increased use of emergency board recommendations as a carrier's first counteroffer is an unequivocal violation of the bargaining mandate of the Railway Labor Act, since the statute requires good-faith bargaining before the creation of an emergency board."

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[1] At the time this dissent was written the pact had not yet been amended to include strikes taking place before the appointment of a presidential emergency board.

Mr. Minetti noted that the pact operates in the event of a strike called for reasons "which *include* the enforcement of demands in excess of or opposed to the recommendations" of a presidential emergency board. The use of the word "include" has the effect, he claimed, of making the "agreement operative in any strike affecting any of the carrier parties." He saw this as permitting invocation of the pact in aid of an employer *whether or not* the employer has exhausted the remedies of RLA, or an emergency board has been established, or the employer himself accepts an emergency board's recommendations. He concluded that the pact "amends the Railway Labor Act's statutory plan in a manner which, from an employer's point of view, is just as effective as the elimination of the statute."

CAB Affirms Its Approval

On October 19, 1959, the Civil Aeronautics Board affirmed its approval of the pact, with Member Minetti again dissenting.

The board had been asked by the Machinists and the Railway Clerks to reconsider its decision in favor of the pact. The request made by these two unions meant that the Civil Aeronautics Board was to explain again its general approach to the mutual-aid agreement, especially with respect to the criticisms which had been raised concerning the *kind* of a hearing that had preceded the initial decision.

A principal issue raised by the unions was that the original CAB hearing had unfairly prevented the presentation of pertinent matters, since it was based solely on written briefs and oral argument. Instead, said the unions, the board should have ordered an evidentiary investigation on its own initiative.

The CAB disagreed. It said that the statute did not require a hearing with respect to agreements like the mutual-aid pact, although the board felt "some form of hearing" was appropriate in view of the impact of the agreement upon air carriers, employees and public. The board added that the two unions did not complain of the procedure used at the time and still "have wholly failed to spell out any specific factual matters which they might expect to prove after evidentiary exploration and which might influence the board to reconsider its decision."

Member Minetti's dissent stated that the board should have held an evidentiary hearing even though no one had requested one, since it has a statutory duty to explore the facts underlying the agreement. Mr. Minetti also stated that the Air Line Agents' Association did request such a hearing after the oral argument had taken place in this proceeding.

The two unions also argued that the board had incorrectly interpreted the statute (Section 412) as requiring only a negative finding: that the pact was not adverse to the public interest. They contended that the board should have decided whether the agreement effectuates the public interest and the purposes of the act. The board rejected the argument, asserting that it had decided affirmatively that the agreement *did* meet the statutory test for approval.

Here, too, Mr. Minetti disagreed. He saw the board's decision as a negative conclusion—an attempt to remain neutral. This, he said, was a failure to recognize that, notwithstanding the attempt at neutrality, the statutory grant of antitrust, and possibly Railway Labor Act, immunity "has thrown the considerable weight of the United States Government on the side of management in this dispute."

THE CAB INVESTIGATES REVISED PACT

However, on June 20, 1960, the board did order a formal investigation of the pact. This, it said, was made necessary by new developments since the original decision to approve the pact.

The first of these was the addition of the four new pact members, since this indicated to the board that "the principle of mutual aid is intended to become a long-term feature of labor management relations in the industry." Further, the agreement will have an even greater impact: the ten airlines carried approximately 90% of all trunkline traffic in 1959.

The board also considered important the fact that the parties have now had more than a year of experience under the pact, making available factual data for study that was not ascertainable at the time of the first decision.

Still another important development influencing the board's decision to restudy the pact was the broadening of the grounds upon which the pact members agreed to make strike-aid payments to a struck carrier. On March 7, 1960, they agreed to give aid for strikes which had "been called in the absence of the establishment" of a presidential emergency board—in other words, in strikes where no emergency boards have been appointed. The clause stipulates that the struck carrier must, itself, have complied with the Railway Labor Act in order to be eligible for strike payments.

The Association of Air Transport Unions filed objections to the amended agreement on April 12, 1960, requesting the board either to disapprove the pact immediately or to hold a full evidentiary hearing. The new agreement, the unions contended, now covers any strike involving a pact member "regardless of the merits of the dispute and regardless of whether the

strike is provoked by arbitrary and unreasonable actions of a carrier." This constitutes, they said, a deliberate sharpening by the companies of labor-management conflict and an evasion of their responsibilities under the law.

The carriers replied to the unions' charge on April 29, 1960. They termed the new clause necessary in order to permit smaller carriers to join the pact since their labor disputes are not likely to result in the appointment of RLA emergency boards.[1] In addition, they contended that the carriers do not become eligible for payments unless they comply with the act and that this has the effect of bolstering the law.

[1] The statutory test is whether the particular labor dispute threatens "substantially to interrupt interstate commerce to a degree such as to deprive a section of the country of essential transportation service."

Objectives of the New CAB Hearing

The new investigation will have a broad scope. The CAB plans to study both old and new issues. It has announced a determination to discover "to what extent the carriers are developing long-term mutual labor relations arrangements on industry employment, stability and related matters which it is the board's duty to consider in weighing whether the agreements are consistent with the public interest."

ANTHONY P. ALFINO
Division of Personnel Administration

Management Bookshelf

Labor's Public Responsibility—This book contains the proceedings of a symposium held in November, 1959, under the sponsorship of the National Institute of Labor Education, an organization formed to originate programs in labor education. The eleven papers (by labor leaders and college professors) discuss labor's public responsibility in three areas: in collective bargaining, in its internal affairs, and in public affairs. *Published by National Institute of Labor Education, P. O. Box 2215, Madison, Wisconsin, 1960, 191 pp., $2.*

Industrial Relations in the San Francisco Bay Area, 1900-1918—The formation of unions and the development of multiemployer bargaining in and around San Francisco in the period indicated is the subject of this volume. The author develops in detail the economic and political background against which the labor relations of the period took place. *By Robert Edward Lee Knight, Institute of Industrial Relations, University of California, Berkeley, California, 1960, 463 pp., $6.50.*

The Taft-Hartley Act—A Management Guide—The provisions of the Taft-Hartley Act and its 1959 amendments are outlined in this newly revised monograph. It contains a checklist designed to advise supervisors of the kinds of conduct that are and are not permitted under the act. *By Waldo S. Fisher, Industrial Relations Section, California Institute of Technology, Pasadena, California, 1960, 31 pp., $1.*

Practical Arbitration—These essays are the proceedings of a conference on current arbitration trends that surveyed the field through the eyes of a management man, a labor leader, and an arbitrator. Also included is a demonstration arbitration and a panel discussion on techniques of presenting a case to an arbitrator. *Edited by Daniel H. Kruger, Labor and Industrial Relations Center, Michigan State University, East Lansing, Michigan, 1959, 168 pp., $1.25.*

Labor Education Outside the Unions—Education programs for workers by institutions other than the unions themselves are examined in this book. In addition, the volume compares programs in the United States and in Western Europe. *By Alice H. Cook and Agnes M. Douty, New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York, 1958, 148 pp., $2.*

Modern Management: Its Nature and Functions—The author's objective was to make this book nontechnical enough to be used by the beginning student in management, yet informative enough to round off and review the advanced student's understanding of managerial behavior. Designed for use as a basic text, it includes problems and bibliography at the end of each chapter. *By W. V. Owen, Ronald Press Company, New York, New York, 1958, 389 pp., $6.*

Descriptive Anatomical Charts—As the result of a need expressed by occupational health nurses of the Washington State Nurses Association, the association has published an 8½-inch by 11-inch series of eight simplified anatomical charts. The charts are bound together in booklet form and they depict only those anatomical areas pertinent to a nurse's description of injuries suffered in industry. Their purpose is to enable the nurse to use correct and exact terminology in making out medical reports and in discussing injuries with lay persons concerned with the safety of the industrial worker. *Washington State Nurses Association, 503-117 Second Avenue Building, Seattle 1, Washington, 1960, $2.50.*

Significant Pay Settlements

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
	RUBBER	
irestone Tire and Rubber Company with *ubber Workers* in eight cities. 17,200 hourly Retroactive to 7-25-60. Wage reopening Contract expires 4-61	9.5¢ per hour general increase; additional 4¢ per hour adjustment to skilled trades at plants in Akron, O.; Des Moines, Ia.; Pottstown, Pa.; and Memphis, Tenn.	No change (Fringe items not at issue)
oodyear Tire and Rubber Company with *ubber Workers* in eleven cities. 21,000 hourly Retroactive to 7-25-60. Wage reopening Contract expires 4-61	9.5¢ per hour general increase; additional 5.5¢ an hour increase to skilled trades at Akron, O.; and 6.5¢ an hour increase to skilled trades at Jackson, Mich.	No change (Fringe items not at issue)
. S. Rubber Company with *ubber Workers* in eighteen locations. 24,000 ourly Effective 8-1-60. Wage reopening Contract expires 6-1-61	9.5¢ an hour general increase	No change (Fringe items not at issue)
	TRANSPORTATION EQUIPMENT	
ell Helicopter Company, Division of Bell Aero-pace Corp., with *AW* at Ft. Worth, Tex., 1,900 production and aintenance employees and 370 white collar orkers Effective July and August, 1960. Wage re-opening Contracts expire 7-7-63 and 8-12-63	No general increase this year; 5¢ of the 8¢ cost-of-living adjustment is frozen into base rates Deferred increase: Production and maintenance employees: from 5¢ to 9¢ an hour, depending on labor grade, effective 5-1-61; additional increases ranging from 5¢ to 9¢, 4-30-62 White collar workers: 5¢ and 6¢ an hour increase to hourly workers and 2.5% increase to salaried employees, effective 5-1-61; additional increases of 5¢ and 6¢ to hourly and 2.5% to salaried, effective 4-30-62	Revised: Pension benefits
ockheed Aircraft Corp. with *AM* in Marietta, Ga. 9,000 hourly Effective 7-11-60. Contract expired New contract: 2 years	No increase effective 1st year; labor grade increase for 3 jobs Deferred increase: 7¢ per hour effective 7-61	Added: Layoff benefits; 3 weeks' vacation after 12 years Revised: Life insurance and surgical benefits including those for dependents; odd workweek bonus increased from 5¢ to 10¢ per hour
artin Co. (Middle River plant) with *AW* in Baltimore, Md. 6,000 hourly Effective 7-15-60. Wage reopener Contract expires 7-15-63, after having been extended from 7-8-61. Wage reopening in 1962	No general increase 1st year (present rates $2.29 to $3.13 per hour) Deferred increase: 4¢ to 10¢ per hour effective next year	Added: Noncontributory severance pay plan; 8th holiday (floating); 3 days annual sick leave (employees not using sick leave can collect pay) Revised: Vacation plan; health insurance benefits
yan Aeronautical Co. with *AW* in San Diego, Calif. 2,500 hourly Effective 7-8-60. Contract expired New contract: 2 years	No general increase 1st year; 5¢ of existing cost-of-living allowance incorporated into base rates Deferred increase: 7¢ per hour effective 7-3-61	Added: Layoff pay Revised: Pension and group insurance benefits
	OTHER DURABLES	
lgin National Watch Co. with *atch Workers, ind.* in Elgin, Ill. 1,700 hourly Effective 8-1-60. Contract expired New contract: 2 years	4% general increase for hourlypaid employees, 1% to 4% for incentive workers Deferred increase: 3% effective 6-1-61	Revised: Hospitalization and pension benefits
orham Mfg. Co. with *welry Workers* in Providence, R.I. 1,000 hourly Retroactive 6-1-60. (Signed: 8-8-60) Contract expired New contract expires 6-1-62	8¢ per hour general increase for day workers; 6¢ per hour for day rates of incentive workers; 4¢ for each hour worked on incentives Deferred: 7¢ per hour for day workers; 5¢ on day rates of incentive workers; and 4¢ for each hour worked on incentive, effective 6-1-61	Revised: Holiday pay—full day's pay for ½ day's work on Christmas Eve; increased health and accident insurance benefits

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
New York Employing Printers Assn., Printers League Section, with *Bookbinders* in New York, N.Y. Approximately 5,000 salaried Effective 7-1-60. Contract expired New contract: 6 years	$4 per week general increase; new rate of $118.45 per week Deferred increase: Similar increase effective 2nd year; periodic adjustments based on wage patterns in New York printing industry in final 4 years of contract	Revised: Health & welfare benefits
Radio Corporation of America with *APEP, Engineers & Scientists of America, ind.* 2,400 salaried in Camden, Cherry Hill and Moorestown, N.J.; Pennsuaken and Croyden, Pa. Effective: 7-1-60. Contract expired New contract: 1 year	4¾% general increase	Revised: Merit increase provision; patent awards increased to $150 for sole inventors and to $200 for joint inventors (were $100 and $150)
NONDURABLES		
Dow Chemical Co. with *Metal Trades Council* in Denver, Colo. 1,100 hourly Retroactive to 5-16-60. (Signed: 7-25-60) Contract expired New contract: 2 years	10¢ per hour general increase Deferred increase: 8¢ per hour effective 2nd year	Revised: Health & welfare plan
Nestle Co., Inc. with *P.C.K. Employees Union, ind.* in Fulton, N.Y. 970 hourly Retroactive to 5-15-60. Contract expired New contract: 3 years	7¢ per hour general increase; 6¢ and 11¢ (were 5¢ and 10¢) per hour shift differentials Deferred increase: 6¢ per hour effective 5-14-61; 7¢ per hour effective 5-13-62	Added: 8th paid holiday effective 5-15-61 Revised: Vacation provisions; life insurance; disability, hospitalization and death benefits; pension plan
Oxford Paper Co. with *Papermakers & Paperworkers* in Lawrence, Mass. 496 hourly Retroactive 6-1-60. Contract expired New contract: 1 year	4% general increase; classification adjustments ranging from 2¢ to 4¢ per hour	Revised: Insurance benefits
NONMANUFACTURING		
Cities Service Gas Co. with *Operating Engineers* in Oklahoma City, Okla. 656 hourly Effective 7-3-60. Contract expired New contract: 10½ months, expiring 5-15-61. Wage reopening if increases are granted by other companies in industry	6¢ and 7¢ per hour adjustment in 5 classifications	Revised: Vacation provisions; daily travel expense
Laclede Gas Co. with *OCAW* in St. Louis, Mo. Approximately 1,600 hourly and 450 clerical Effective 7-1-60. Contract expired New contract: 2 years	4¼% general increase (11.4 cents per hour average) Deferred increase: 3¾% next year	Added: 9th paid holiday (Good Friday) Revised: Hospital insurance coverage for dependents increased; $10 weekly sickness benefit for employees eliminated; pension plan (survivors' benefits increased)
Niagara Mohawk Power Corp. with *IBEW* in Syracuse, N.Y. 7,500 hourly Retroactive to 6-1-60. (Signed: 7-15-60) Contract expired New contract: 1 year	4½% general increase; new rates of $1.48 to $4.05½ per hour	Revised: Increased mileage allowance; company-paid base benefit plan for pensioners and dependents
Pacific Gas & Electric Co. with *IBEW* in 46 counties in central California. 13,642 hourly & salaried Effective 7-1-60. Contract expired New contract: 2 years	4.5% general increase	Revised: Medical & hospital insurance (additional company contribution to premiums)

[1] All unions are affiliated with the AFL-CIO unless otherwise indicated.

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In the October Business Record

Management of New-product Development—A good system of coordination is needed to develop new products efficiently, according to most of the 159 manufacturing firms participating in this month's survey of business opinion and experience. While some respondents favor divisional decentralization in their management of new-product work, others place primary responsibility at the corporate level. The use of one or more coordinating committees is also widespread among surveyed companies. These and other organizational policies and problems are discussed in the survey report.

Consumer Markets: Reading, Writing and Retailing—The rising educational level of the consumer is expected to exert a significant influence on the market place in the course of the present decade. Better-educated families have been found to show substantially different purchasing patterns from those of families with less schooling. This article details the relationship between the educational level of the consumer and his demand for particular products and services.

Canadian Economic Policy—A Reappraisal—Is the Canadian economy unhealthily dependent on inflows of foreign investment capital, particularly from the United States? Much discussion has been generated by this question and the related theme of the current-accounts deficit that has marked Canada's balance of international payments for the past decade. The controversy has led many observers to believe that a general reappraisal of the principles of Canadian economic policy is appropriate at this time. Thus the Board's Montreal office is preparing a series of articles to consider some of the current difficulties facing Canada in the economic sphere. The first of this series, "Foreign Investment and the Balance of Payments," appears in this issue.

Capital Appropriations for Foreign Operations—Capital approvals for foreign operations of American manufacturers were 20% above their year-earlier level in the first half of 1960, according to the first report in a new Board series sponsored by "Newsweek." The article surveys the first-half performance of foreign appropriations and expenditures, relating it to domestic trends during the same period.

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